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Problems of the Postwar World

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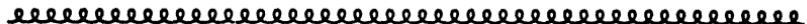
Problems *of the* Postwar World

A Symposium on Postwar Problems

By Members of the Faculty of the Division of the Social
Studies at the University of Wisconsin and Others

THOMAS CARSON TOOKE McCORMICK, *Editor*

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PROBLEMS OF THE POSTWAR WORLD

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Preface

THE PURPOSE and limitations of this symposium can perhaps best be described by briefly telling how it came about. In the fall of 1942 it occurred to the editor that many members of the faculty of the Division of the Social Studies at the University of Wisconsin who were not able to serve in the armed forces might want to do their bit in the national emergency by contributing what they could to public thinking on the major postwar problems that came within their fields of specialization. With few exceptions they welcomed the idea and desired to participate in the project.

The problems to be treated were determined by the competence and interests of the men in the group. After the problems had been selected and listed, they were found to cover a very wide range and to be somewhat scattered. Only where impossible gaps existed among the topics, however, were men off the Wisconsin campus asked to fill them; and no attempt was made to include all or a majority of important postwar problems.

Because of the motive behind the undertaking and its local nature and because of the unwillingness of most of the contributors to commit themselves to a more coordinated and regimented project, the symposium took the form of a collection of individual papers on miscellaneous problems of the peace, each written independently of the others. In keeping with the tradition of individualism of the Wisconsin faculty, each contributor dealt with his chosen problem in the way he considered most effective. The resulting papers sometimes differed sharply in length, style, and method of treatment; but it was felt that this might have its virtues as well as its objections. Nothing was done to avoid or soften differences of opinion among the writers. It was believed that the intelligent reader was entitled to know of these conflicts of thought and values among a group of specialists and that this knowledge might leave him more open-minded.

The papers in this volume are addressed to the educated and thoughtful layman and not to the social scientist. None of them is written in a popular or journalistic style, because their authors were

PREFACE

not journalists. On the other hand, they are scientific only to the extent that the scientific point of view has been developed in their respective areas. Social problems must be analyzed in the light of the theories current in the fields of economics, sociology, political science, etc., however immature they may still be. After all, national and international policies are as yet very far removed from controlled experimentation or measurement.

All the contributors to this symposium, with three exceptions, were members of the faculty of the University of Wisconsin at the time the project was started. Of the three exceptions, one was formerly on the Wisconsin faculty and another received the doctorate from Wisconsin. The names and academic titles of the authors will be found in the table of contents.

THE EDITOR.

MADISON, WISCONSIN,
February, 1945.

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PART I

Economic Policy

CHAPTER I

INCOME AND EMPLOYMENT

WALTER A. MORTON

I. THE PROBLEM

Income and employment during the war have risen to the highest levels in our history as a result of the unlimited market created by the armed services and the public. Whereas, at first, the American people feared that industry might not be able to convert fast enough into war production, labor and industry soon began to vie with one another in claiming credit for a great achievement. Before long this came to be cited as an accomplishment of private enterprise, much to the disparagement of the decade of the 1930's when government sought to stimulate economic activity.

Although the expansion of economic opportunity has aroused great expectations for the future, there is little agreement upon the policies by which these hopes can be fulfilled. Some believe that full employment will come predominantly from private demand, with government performing its normal peacetime functions; others are more doubtful, but few will consent to a state in which large masses of people are unable to live in comfort and dignity as productive members of society.

It is the realization that want is no longer necessary in America that is responsible for this attitude. Modern science and technology have made it possible for the standard of living to be raised to the level of comfort, and what people have experienced with pleasure, they are loath to forego, although they still have the task of creating a social and economic organization that will make it possible to enjoy what is physically within their grasp. Unemployment is not a physical but a social fact. Depressions in the history of industrial society have not been brought about by natural changes or even by improvements in the state of the arts. These latter occur frequently, but it is the function of the social organism to make adjustments to them, rather than to permit them to wreak havoc with society itself. Unemployment may, therefore, be said to

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arise from the imperfect coordination of individual activities and from defective and inflexible economic organization. The operation of the economic system can, of course, be improved as knowledge is enhanced, but knowledge alone, without good will, is not enough. Even with such a widely acclaimed objective as full employment, we are faced not only with a conflict of plans and ideas but with a conflict of interests and wills as this objective sooner or later clashes head on with the vested interest of one group or another, and we shall fail in this objective unless these interests can be modified, submerged, and integrated into a common social purpose.

We learned something from the depression and we are learning more from the war. The depression showed us how the economic system works at low activity; the war has illustrated the difficulties created by full employment. It will be recalled that when the great depression broke upon the world in 1929, its full significance was not apparent: some viewed it simply as another cyclical disturbance which would soon correct itself; others as a consequence of the improper economic and political policies following the war; and still others as the breakdown of free enterprise capitalism.

As automatic recovery failed to come about, various monetary and fiscal policies were adopted both here and abroad. Great Britain, the first country to devalue its currency, resorted to a cheap money policy and a balanced budget while natural forces, in the form of a building boom and a relocation of industry, brought about a recovery.¹ In Germany, Hitler used public works and an armament program, thereby increasing the national income and winning much praise for his efforts in behalf of the masses of people. During the Hoover administration, the United States ran a small deficit for which Hoover was severely criticized even though the deficit was not deliberately planned but was a consequence of a fall in revenues. The Roosevelt administration began by cutting costs and ended by increasing them; at first, reliance was placed upon the monetary policy of devaluation and cheap money, but soon government spending and deficit financing increased for purposes of relief and public works. Recovery here as in Europe continued until 1937, when a recession occurred.

Various theories of the business cycle and of the historical trend were used to justify the policies pursued. The cheap-money

¹ See my *British Finance 1930-1940*, University of Wisconsin Press, Madison, 1943.

theorists believed that low interest rates and a devalued currency would stimulate private investment and raise activity and the price level. Experience, however, seems to indicate that cheap money was ineffectual both in the United States and in Great Britain.¹ Deficit financing of public works was first viewed as a pump primer; it was believed to be a temporary expedient which could be abandoned as soon as recovery got under way, and budgetary deficits were incurred until the 1937 recession. Then, as recovery did not come about automatically, the view became widely accepted that the United States had become a mature nation with inadequate outlets for profitable private investment and that, because of this fact, we were faced with continued economic stagnation unless we offset savings by public works and governmental deficits.

Early in the depression it was argued that there was no good reason why the budget had to be balanced annually; it should rather be balanced over the business cycle. An underbalanced budget was preferable during the depression phase, and surplus financing was appropriate during prosperity. No sooner had the Swedish economists propagated this view in America than its relevance to our historical situation came to be doubted; after 1937, many believed that the government debt had to be used not merely for priming the pump but for continued pumping of funds into the economic system. The theory of the cyclical budget accordingly was replaced by the view that permanent deficit financing and a continual growth of the national debt were necessary if secular stagnation was to be avoided. Opposed to this view were those who maintained that recovery had been thwarted by an improper political climate (Roosevelt and the New Deal), lack of encouragement to business, labor disturbances, high taxes, and inadequate profit incentives. The dispute between these two views was still on when the resumption of activity for defense made it a purely academic question. With the end of the war, the issues that were temporarily submerged will reappear: Can high employment be maintained in the postwar period by private demand alone, or will it require a large volume of government spending?

Our first task will be to effect a transition to a peacetime economy; after that we should endeavor to maintain a high level of national income. The first objective is primarily technical; the second will require a major readjustment in economic, social, and political relationships. Many old landmarks of privilege and

¹ *Ibid.*, Chap. XVII.

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of vested interests will have to be destroyed if the common interest in economic well-being and security is to be served. Thus far we have hesitated to face these issues squarely, much less to grapple with them realistically. The public, while recognizing vaguely that a high level of consumption and investment is necessary to maintain full employment, still is loath to take the required action regarding the distribution of wealth and income, the balance of savings and investment, the adoption of workable price and wage policies, and the destruction of monopolies and vested interests. Only by adequate policies along these lines will it be possible to attain a reasonable long-term income policy with some semblance of budgetary equilibrium and without the threats to our economic and social life presented, on the one hand, by poverty and distress, and, on the other, by inflation and the dominance of special interests.

II. RECONVERSION

The physical reconversion of industry is by no means insuperable; a nation that could convert from peace to war within a period of two years and reach the highest production in its history need not fear for its technical abilities. The two tasks are different, however, in one important respect: the conversion from peace to war was predominantly an engineering task; reconversion, on the other hand, is primarily a market problem. War mobilization which came in the midst of partial employment of resources required the conversion of old facilities and the building of new ones; demobilization, coming with full employment, still requires reconversions but fewer additions.

Not all industries need to reconvert; many of them, such as paper, lumber, steel, and textiles, will continue to make a slightly different product with the same plant and operating organization. Another group will need to retool and reorganize their productive facilities, but some of these, like automobiles and radios, will know just what they are going to make and sell. The third group, which includes shipbuilding and the airplane industry, must make more basic decisions as to new products, new markets, and the type of manufacture to which their location, plant, and organization are adapted. The first and second groups will differ in the length of time required to make the shift; and, since they know their product and their market, their problems will be largely quantitative in character. The third group do not know what they will make or to whom they will sell; their problem is both qualitative and

quantitative. For all groups, however, the size of the total demand and its composition will affect the size of their own operations. Since, however, manufacturing must shrink as a proportion of total activity, it will be practically impossible for all manufacturing capacity to reconvert or to find outlets if they should do so. The service industries will need to be expanded.

The government will also have surplus plant and war materials to sell: some of this material consists of guns, bombs, tanks, and bombers, the peacetime uses of which will not be very great; other materials might be converted, and the remainder, equivalent to a few months' ordinary production, will be suitable for civilian use. Whatever surplus stocks we sell will generally, though not always, compete with the potential sale of new products. If we sell an army truck to a farmer, it may replace his demand for a new truck or simply provide him with a truck that he might otherwise not have purchased at all. Sales in foreign countries are no exception to this rule; only if we dispose of these products by gift to foreign countries which would not otherwise be in the market for them, can they be utilized without interfering with demand for current output. The destruction of surpluses is undesirable because it will be costly to the government as well as contrary to the principle that resources should be used to obtain the greatest total utility. It is, moreover, folly to continue the destruction of war during peace; if we must destroy anything, let us engage in selective and planned destruction of the useless, rotten, and corrupt and then employ our resources to build something better. The sale of surpluses also will keep down the Federal deficit and help reduce the national debt. If, in the process, we destroy some markets, the debt can again be expanded to employ labor at useful work.

It would be well also if the war plants could be operated by competitive industry rather than bought and dismantled by monopolists; those plants which cannot thus be used should be retained by the government until we can see what must be done to keep our citizens employed at productive labor.

Despite the best of plans, there seems to be no way of avoiding a considerable fall in income and employment during the transition period. This fall can be minimized if we permit some firms to retool while continuing war production and even to begin peacetime manufacturing operations on a small scale. Cities, states, and the Federal government have much necessary normal construction that has been delayed and, if these projects are started as soon as unem-

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ployment appears, it will make the transition easier. Even when this is done, there will remain a large number of unemployed who must be moved to new localities and furnished with adequate unemployment compensation while they remain out of work. Money thus expended will not only help its direct beneficiaries but it will also tend to maintain the total national income and thus redound to the indirect benefit of others as well.

Business conditions during the transition period and for some years thereafter are likely to remain quite uneven. Those industries which make durable goods for which there is a pent-up demand will find good markets and have a number of profitable years; whereas others that must seek markets, or cater to a shrunken demand, will find their output and profits much impaired. The fortunes of labor likewise will differ according to the industry and plant in which workers happen to be located.

III. INCOME AND EMPLOYMENT LEVELS

Income and employment usually fall and rise together, although under some conditions it is possible for one to change without the other. Increased efficiency because of access to more abundant natural resources, improved technology, or greater skill may increase the national income even while employment shrinks. As efficiency rises, more product is obtained with a given unit of resources or, conversely, less land, less labor, and less capital are required for each unit of output. If, therefore, output remains constant while efficiency grows, technological unemployment is created not only for labor but for capital as well.

Inasmuch as technical efficiency has increased by leaps and bounds during the war, it will be necessary to produce and consume a much greater total product in order to employ all our resources. Should we not, however, care to consume a larger product, we may permit the total national income to fall and employ only a part of our labor force and capital equipment. Left to itself, the incidence of a lower level of business will be unequal among various individuals and groups of firms and workers; some may continue to work full time and receive good wages and profits, whereas others will be left out in the cold to shift for themselves as best they can. On the other hand, it is conceivable, through governmental action, to meliorate the effects upon some groups, and it may even be possible to plan for a more equal long-term distribution of a low

level of income and employment. The latter program, however, probably will have so few sponsors that the actual choice appears to be between general prosperity and an unequal and unfair distribution of restricted job opportunities and a small national income.

Some employment is wanted for its own sake, as an outlet for human energy and to enable the worker to fulfill his function as a part of a going society. This objective could be attained simply by reducing the hours of labor; all could then work sufficiently to satisfy the instinct of workmanship. Beyond this, it is not work that is needed per se, but income.

Income has three social functions: to provide for consumption, for security, and for expansion of capital equipment. From a functional viewpoint then, our first objective should be to keep each citizen in enough income to provide for an adequate standard of living and to make savings for security against the contingencies and vicissitudes of life. After these needs are satisfied, additional income is necessary only if we desire to add to our stock of capital equipment. It follows then that, after the inducements to production have been met, the first claimants upon the national income should be those who need income for consumption and for reasonable security; after that, other accumulations may be permitted. This principle requires that taxes be so levied that low incomes will be protected before additional accumulation is permitted upon the part of the wealthy and that the desire of the poor for consumption and savings be requited before any tax concession is made to those who already have sufficient wealth to satisfy these needs. Application of this principle to fiscal policy will also make possible an orderly movement in the direction of long-term fiscal equilibrium while economic activity is being maintained at a high level.

The national income in physical terms consists of all of the goods and services produced during a given period of time; in monetary terms it consists of their money value, *i.e.*, of production multiplied by prices.¹

In peacetime, income arises from three main sources: consumption, private investment, and ordinary governmental services.

¹ In 1943, the total net national income was 148 billion dollars, out of which salaries and wages were 105 billions; net income of incorporated business (after taxes of 15 billions), 9 billions; agriculture, 12 billions; other proprietors, 11 billions. National Income by Distributive Shares, 1929-1943, *Survey of Current Business*, April, 1944, p. 15.

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During war, extraordinary expenditures must be added.¹ As war activity reached its peak, private net investment practically disappeared and consumption and governmental expenditure made up the total.²

A distinction should be made between the components of gross income and of net income. Gross income consists of everything that is produced: consumption, plus net investment (also called "new capital formation"), plus replacements, depreciation, maintenance, and repairs. Net income consists of consumption plus net investment or of gross income minus depreciation. The size of the national income thus depends upon the total activity of all kinds and, if one or the other activity rises or falls without a reciprocal compensation, the total national income must change accordingly.

The income of the community may also be viewed either as receipts in the form of wages, salaries, interest, dividends, and rents, or as outlays for consumption and investment. If all of the money received in a given period is spent, the level of income is maintained; if part of it is withheld from circulation, income falls. Similarly, idle money or newly created money that is spent raises income; money withheld from circulation or canceled by the banks lowers the income level. Hoarding is therefore the negative act of failing to spend for consumption or investment; dishoarding is the positive act of spending money previously held idle. The income flow may thus be interrupted either by the hoarding of businessmen who fail to produce or by the hoarding of the public if it fails to put back into circulation the money that it receives.

If we bear this in mind, we see how inadequate is the notion that the total volume of employment can be determined by business alone. A firm engaged in manufacturing or merchandising caters to existing demand and does not suddenly cease to produce without some provocation, but it usually continues to employ labor, buy materials, and replenish its stocks so long as goods are moving

¹ Let Y = income, C = consumption, Ip = private investment, G = ordinary government expenses, W = war expenditure, G_1 = extraordinary government expenditures, such as relief, etc., and Ig = government investment in public works. Then

$$Y = C + Ip + G \text{ in a peacetime private economy}$$

$$Y = C + Ip + G + W \text{ in wartime}$$

$$Y = C + Ip + G + G_1 + Ig \text{ in a peacetime compensatory economy}$$

² The American Economy in 1943, *Survey of Current Business*, January, 1944, p. 1.

out of its hands. Firms cease production when their stocks accumulate because the public ceases to buy or when prices fall below costs of production.¹

IV. CAUSES OF FLUCTUATIONS

Income can change because either consumption or investment has changed. Inasmuch as consumption habits are quite stable, short-term changes in the volume of consumption are usually not voluntary changes but induced changes—consumption falls because income has fallen. Investment, in contrast, is not governed by habit but by deliberate and calculated decisions based upon the usefulness and profitability of new capital assets.

The creation of additional plant facilities, new construction and other capital formation, varies from time to time as the prospects for profit appear brighter or dimmer. When this activity slows up, there is a corresponding shrinkage in the money spent in the capital-goods industries, decreased employment, and a consequent fall in income. This in turn is transmitted to the consumption-goods industry through a fall in demand and, by action and reaction, makes its effects felt throughout the economic system.

Although slumps are usually generated in the capital-goods industry, this need not always be so. A saturation of the durable consumption-goods market, or a buyers' strike, might be the initiating cause of a slump in demand. Nevertheless, past experience has shown that the volatile element in our economic system is investment. Income consists of consumption plus investment, and savings are equal to income minus consumption. It follows, therefore, that all income that is not spent for consumption is

¹ The widespread, elaborate advertisements appearing during the war period which promise peacetime jobs in private industry, implicitly, if not explicitly, avow that industry has it in its power to solve the unemployment problem. Apparently neglecting the place of government spending in the war economy, many industrialists appear quite willing to take credit for wartime activity and to promise much for the future. It will, therefore, be unfortunate if depression ensues and the masses of unemployed put the blame for it at their door. More cautious business executives have consequently warned the public that a corporation cannot employ its workers unless the public employs the services of the corporation through the purchase of its products. The latter views, however, have not been given the same prominence in advertising copy as the exuberant promises painting a roseate future to be delivered by private enterprise without benefit of government money or bureaucratic control.

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potentially available for investment. If it is not invested and thus put back into circulation, the level of income must fall. On the other hand, income can be maintained if it is possible to find offsets for savings in new capital-forming activities; but, if these activities are not found, total outlay falls, total income received falls, consumption falls by a smaller percentage, and savings by a larger percentage. This process might continue until the national income fell to a level equal only to the national consumption with no net national saving.

The individual thinks of income as a stream with which he can do as he wishes—consume, invest, or hoard—but for the nation as a whole this is not true. Social income is not a stream that continues regardless of our efforts; it is a result of what we do. It is created by consuming and investing, and it will fluctuate in the same direction as these activities. The active or promotive factor in establishing a high national income is therefore the spending activity of the people as a whole. They create income when they spend and destroy income when they hoard.

Income is high during war because the government takes all available savings either through taxes or loans and puts them back into circulation. When government ceases to do this, private individuals must find other outlets to absorb their savings. What is needed, therefore, is the economic equivalent of war. Should it be found impossible to devise new investment offsets when the war is over, the national income may fall to a level that might be only about half that of the peak wartime figure.

Just before the war, the national income was produced by private industry by the following eight industrial groups in decreasing order of importance: manufacturing; finance, service, and miscellaneous; distribution; agriculture; transportation and communication; construction; public utilities; and mining.¹

The war has brought about a great boom in all activities, but the increase of about 350 per cent from 1939 to 1943 in the manufacture of durable goods is the most outstanding. In 1943 about 80 per cent of this output went into the war effort.² The durable-goods industries in 1939 shipped goods having a value of 25 billion

¹ BARGER, HAROLD: *Outlay and Income in the United States, 1921-1938*, pp. 168-173, New York, 1942, or SIMON KUZNETS: *National Income and Its Composition, 1919-1938*, p. 166, New York, 1941. For the years 1939-1943, see *Survey of Current Business*, April, 1944, Table 5, p. 10.

² *Survey of Current Business*, January, 1944, pp. 5 to 7.

dollars; in 1943, they shipped 87 billions worth, of which 72 billion went into the war effort and 15 billion into domestic uses. Manufacturing activity is likely, therefore, to be a smaller proportion of the total after the war, thus requiring a shift in resources and workers from manufacturing to the service industries and to other lines of endeavor. What this means for shipbuilding, airplanes, and munitions is obvious, but its significance for other metal-manufacturing plants though less apparent is nonetheless real. Despite the scarcity of automobiles, refrigerators, etc., at the close of the war, the demand for these durables is not likely to exceed half the 1943 total output of firms in these industries.

The number of employees in durable-goods manufacturing since 1939 has increased by more than 50 per cent. Out of the total of 16 million persons employed in all manufacturing in early 1944, 10 million were employed in making munitions. The indications are, therefore, that on the whole the durable-goods manufacturing industry will be laying off workers when the war is over. In addition, the armed forces and the government will release some 12 million more potential workers. It is hoped that many women, children, and older men will go out of the labor market and that others will be absorbed in construction and in the service and distribution trades. Estimates of the total postwar unemployment vary between 8 and 20 million, depending upon the assumptions made about the absorption of workers in new activities, the hours of work per week, and other factors. What the precise number of unemployed will be, however, depends upon so many unknown variables that it seems futile to attempt accurate prediction.

V. CONSUMPTION

Consumption has a tendency to remain stable; it deviates from the norm only when some strong force impinges upon it. The main force causing it to fluctuate is the variation in income. The proportion of income spent for consumption, which is called the "propensity to consume," varies inversely with the size of income; the poor may consume all of their income, and the rich only a small portion of it; those with stable incomes consume proportionately more than those with unstable incomes; and those having capital assets upon which they can rely in case of need will tend to curtail their consumption less during periods of depression. For that reason the large backlog of savings that have accumulated during the war will be a factor favorable to the maintenance of

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consumption. No one knows, of course, just how far individuals will dig into these assets to make new purchases. They may buy necessities out of past savings but it seems unlikely that, if unemployment threatens, persons without current income will use up their savings in the purchase of automobiles and other durable and postponable goods.

It is, primarily, the expenditures out of current income that must be maintained; if postwar consumption follows the usual pattern and rises at a slower rate than income, unemployment will grow. Should, however, a change in habits occur and a larger percentage of income be consumed by all classes of the population, the difficulty of providing jobs will be much less.

During the years 1921 to 1938, about 90 per cent of net income was spent for consumption, leaving net savings of about 10 per cent. In the depression years of 1932 and 1933, the ratio of consumption to income rose to 106 per cent, whereas during 1943 it fell to about 60 per cent. It is, of course, not feasible to project into the years ahead the consumption behavior of the war period when many durable consumption goods are not available at all, others are rationed, and consumption is generally discouraged. But it does not appear unreasonable to conclude that, if we have a net national income of from 130 billion to 150 billion dollars in the postwar period, the propensity to consume will fall considerably below what it was before the war and savings will reach a new peacetime high.

The volume of physical consumption, besides being a function of income, is also dependent upon price: high prices have the same effects as low incomes and low prices have the same effects as high incomes. A low-price policy on the part of large corporations would, therefore, be stimulating to consumption, whereas a price inflation will destroy much of the value of current savings and will also discourage expenditure out of income.

During 1943 consumers' goods and services rose to the highest figure for all time—90 billion dollars—which was about half of the gross national product, the other half going to the government.¹ Only 6 billion of this amount was spent for durable goods. If we should raise consumption to a much higher figure, say 120 billions, the volume of savings would still be substantial but the increased consumption would also provide an additional demand for new construction and other capital goods which would absorb

¹ *Survey of Current Business*, January, 1944, Table 1, p. 2.

some savings. A high level of consumption being desirable, it should be encouraged by fiscal policy, by taxation of high incomes, social insurance, adequate unemployment insurance, public services, health services, public education, and other measures that decrease uncertainty and the need for savings. After this is done, there will still remain a large volume of savings emanating from the very groups whose incomes have been raised, for they will continue to save for security and for the satisfaction that the accumulation of wealth provides. A wide distribution of income, consequently, while it stimulates consumption and adds to investment opportunities, will not automatically solve the savings-investment problem.

VI. SAVINGS

Savings increase at a faster rate than income. A high level of income will therefore create also a very high level of savings for which outlets must be found. The tendency to save proportionately more as income rises is not inherent in human behavior and is therefore subject to change, but it is deeply rooted in individual habit and in existing economic and social institutions. As such, it is the basic force that creates a contradiction in the process of expansion, tending to slow up this process and bring it to a stop while income is rising and preventing income from falling indefinitely during the decline.

Annual net savings of individuals arose from 6 billions in the year 1939 to 33 billions in 1943 and those of corporations from 0.4 to 4.9 billions, making total net savings in 1943 of 38 billions. The 1944 data are quite similar. The gross savings of individuals and corporations, including depreciation and other reserves, rose from 14 billions in 1939 to 53 billions in 1943.¹ These savings were made after the Federal government collected from individuals and corporations some 45 billions in taxes.

Should we therefore maintain the 1943 level of income in the postwar era and the same level of taxes, we would have about 50 billion dollars of gross savings to absorb. If even half of this amount went for additional consumption, there would still remain gross savings of 25 billions annually which must find outlets for investment in private enterprise. A reduction in Federal taxes by, say, 20 billions would further increase the need for private investment outlets. Since we do not know positively how income

¹ *Survey of Current Business*, April, 1944, Table 6, p. 11.

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receivers will behave after the war, these figures are merely indicative of the amount of annual savings out of income, not a statement of precise quantitative results.

Whereas hoarding of current income slows up expansion, dishoarding of previous savings is an offsetting factor. If the war had been paid for fully by taxation, the national debt would have remained below 50 billion dollars; a huge tax bill would have been substituted for huge savings and a large national debt. War savings were created by spending for the government war effort and the failure to tax for the whole amount of that effort. Such taxes were not levied because, in the early phases of the war, deficit financing was believed to be more stimulating, because it was politically impossible to pay for the war by taxes, and finally because such a tax policy would have seriously impeded the mobility of labor and the incentives to work and produce. Early in the war it was necessary to remove profit limitations on war contracts, and it was probably believed also that much higher taxes might have impeded production and obstructed the war effort.

Wartime savings were disposed of in a number of ways: the holding of bank deposits which were created by the purchase of war bonds by the commercial banking system; the public purchase of government war bonds; increased equities in life insurance; the repayment of short-term indebtedness; and the repayment of long-term indebtedness. In short, savings during the war were used either to pay debts or to accumulate government bonds, the asset position of individual citizens being greatly improved as that of the Federal government deteriorated.

The total gross savings for the four years, 1941 to 1944, approximate 175 billions, out of which 150 billions were absorbed by the Federal government. Total net savings of individuals for the same period are estimated at 110 billions, and corporate gross savings at 65 billions.¹ Corporations consequently have profited tremendously from the war, and analysis of their balance sheets shows them to be in an extremely liquid position.

This addition to the net worth of individuals and corporations constitutes a fund of potential purchasing power which may be used to buy consumption goods or to purchase already existing and newly created capital assets. Insofar as it is diverted into existing assets, it tends to raise their price, as is seen by the boom

¹ Data for 1944 estimated. See *Survey of Current Business*, April, 1944, Table 6, p. 11, and September, 1944, p. 4.

in farm lands and in urban real estate and by the rise in the securities markets.¹ If investment opportunities were to be abundant in the future, the net effect of wartime financing would most likely be to promote a price inflation. Since, however, the huge savings may not be expended either for consumption or investment, their total postwar effect is problematical. If they seek rapid outlets into building or into durable consumption goods, price controls may need to be retained during the transition period.

The days ahead will thus provide an interesting experiment with the idea propounded by Keynes that it is possible to overcome hoarding and stimulate consumption and investment by satisfying the demand for liquidity. Although this demand can never be fully satisfied unless the quantity of money rises to infinity (in which case it is useless), still the present large holdings of cash and liquid securities ought to provide a much better test of the theory than any other that might have been deliberately embarked upon. The future will reveal the outcome of this experiment; for the present, we must be prepared for any contingency. It seems safe to predict that the volume of business activity will depend more upon the opportunities for investment than upon the volume of liquid assets. The crucial issue for the future is, therefore, whether these opportunities will be great enough to offset savings and thus create a high volume of national income.

VII. PRIVATE INVESTMENT

Private investment may be classified into four types: producers' durable goods, residential construction, business construction, and net foreign investment. The table on page 18 shows the highest annual investment and the year in which it was made for the period 1921 to 1939.²

The data in this table indicate the volume of capital formation in an expanding economy and can be used merely as rough guideposts, not as accurate indicators of the future. During the war the government has invested approximately 20 billions in plant expansion which, together with the utilization of previously idle capacity and idle labor, has enabled us to increase output by 75 per cent.

¹ For estimates of liquid savings and extrapolations into the postwar period, see Sumner H. Slichter, *Present Savings and Postwar Markets*, reprinted from *Harvard Business Review*, Autumn, 1943.

² BARGER: *op. cit.*, p. 50. For 1939-1943 data see *Survey of Current Business*, April, 1944, pp. 12, 13.

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A continued growth in productive capacity at this rate would require investment in plant of about 6 billions a year, and, if growth slows up, as is more likely, much less will be required. In brief, there are good grounds for believing that, so far as productive capacity is concerned, we have anticipated the growth of several years and that, allowing for reconversion, we shall have a superfluity of machine tools, plant capacity, and other durable equipment in the years immediately ahead.

HIGH POINTS IN INVESTMENT
(Millions of current dollars)

	Amount	Year
Producers' durable goods.....	\$ 6,487	1929
Residential construction.....	4,591	1926
Business construction.....	4,459	1929
Net foreign investment.....	1,414	1921
Total gross private investment*.....	17,188	1929

* In 1940, private gross capital formation was 14.8 billions; in 1941, it was 19 billions, with producers' durable goods being 6.9 billions and 8.9 billions, respectively. In this period government also engaged in a large volume of construction.

Residential construction seems to be the one field that offers abundant opportunities; estimates of private investment in housing run as high as 5 billions per year for a number of years. Even if we add to this figure some other very liberal, perhaps too liberal, estimates of 6 billions for producers' durables, 3 billions for business construction, and another 3 billions of net foreign investment, we still get a private investment potential of 17 billions, which is equal to the 1929 figure.

Taxes in 1943 were about 45 billions. If this figure were cut in half, as many propose, and even if all of the tax reduction were spent for consumption, there would still be the difference between 38 billions of net savings and 17 billions of net investment, or an investment deficiency of about 20 billions.

It is generally assumed, however, that the 1943 level of income will not be maintained; many women will return to the home, the aged will cease work, children will return to school, and factory workers will work shorter hours at lower rates of pay. These cuts no doubt will diminish savings considerably and tend to close the gap between savings and investment potentials. More income will be earned in the home, and more enjoyment taken in the

form of leisure, thus diminishing the monetary demand for some services.

But, using the foregoing estimates and realizing the great probability of error that they contain, it appears to be the part of prudence to be prepared for a deficiency of investment in the period following reconversion and to base policies upon such a possibility. If more optimistic estimates turn out to be correct or if it develops that the American people are quite well satisfied with a much lower income and much unemployment, then, of course, no action need be taken by those in power. Indeed it may be conjectured that a return to even the 1929 level of net investment will create a feeling of considerable satisfaction even though it will mean hardship and unemployment for a large sector of the economy.

VIII. PUBLIC INVESTMENT

A deficiency in total private expenditure can be offset by government activities in two fundamental ways: by nonproductive expenditures such as relief, or by productive expenditures such as public works. Nonproductive expenditures are a pure transfer of money from taxpayers or bond purchasers to the public in the form of direct relief, unemployment compensation, old-age assistance, soldiers' bonuses, mothers' pensions, and other grants and subsidies. Although they benefit the recipient, they employ no one directly and yield nothing to the government. Such expenditures are not socially or economically objectionable when they go to individuals incapable of making a contribution to the national welfare, but they appear to be unwise when they are substituted for paid work by those who are able and willing to give it. Expenditures for public works, on the other hand, produce an asset for the government which may be held for money income, for social use, or which may be sold for whatever price it will bring.

The most that can be said in favor of relief is that it is politically the easiest thing to do. Many of our good citizens who are not in need are wont to look with disdain upon made work or even upon public works which they think might have been dispensed with; they can see the mote in the eye of the public servant but they cannot see the beam in their own eye: the human misery and the frustration created by unemployment and poverty which are the alternatives to public works. Then again, there are no workers or businessmen who can rightly object that government relief

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projects interfere with private business, the complaint that they make against useful public works.

Opposition to government expenditure is thus made on mutually contradictory grounds: direct relief is opposed because it is wrong to pay men to live in idleness, and useful work is opposed because it competes with private enterprise. When finally, as a compromise, the government is forced to find some kind of work that is noncompetitive with private business, this effort is ridiculed as boondoggling and then cited as evidence of the futility of all governmental projects, much to the disheartenment of those in charge. This public inconsistency is created by an admixture of interests, prejudices, and misunderstandings; it is a protest against the existence of a situation, not a rational means of overcoming it. Yet it has its worth-while aspects: it is a sound instinct which compels the American public to condemn both idleness and useless or futile forms of work. And with this bent, we may eventually find an intellectually satisfying solution.

No matter whether money is spent for relief or public works, it creates an addition to the national income, according to the multiplier principle, of several times the initial outlay. The rest of the community thus benefits at least in an equal amount and perhaps even more for each dollar spent for relief or employment because of the stimulating effects upon business activity.

The particular types of public works that should be utilized need not be discussed here: public roads, public buildings, erosion control, reforestation, railroad and terminal development, dams and hydroelectric power projects, housing and city planning, education, and other useful and cultural activities that have been presented by competent workers in these fields. These and similar activities can be planned by a combination of Federal, state, and local agencies and adapted to national and local needs. Some projects are too large to be undertaken by private investors and others have no prospect of financial return, but a third group may compete with private activity and these call for special consideration.

Public works do not necessarily require that government shall enter directly into business; the building of houses or of dams may be let to private contractors, whereas reforestation and erosion control may call for direct activities by governmental agencies. A few of the criteria that should guide public investments are:

- (1) They should not compete directly with private competitive

industry. (2) They should be designed to stimulate rather than retard private investment. (3) They should, if possible, be self-liquidating, but in any event socially useful.

(1) Because government has unlimited funds, it is preferable not to compete directly with private enterprise lest investment in this sector of the economy be further discouraged. That part of the economy which is so much under control of monopoly that it cannot be controlled by other means should not, however, feel assured of protection from government competition. In housing and public power, the noncompetitive aim is likely to run into difficulties which must be compromised, since the issues that will arise can hardly be settled by any simple principle.

(2) Such projects as TVA have encouraged the production of new wealth and have attracted other industries into the region of its operations. This is clearly a stimulant to wealth-creating private activity and not a deterrent.

(3) Inasmuch as public investment is to supplement, not supplant, private investment, it will be difficult to find profitable or even self-liquidating projects. For if these projects exist, they are probably the object of private investment and will be discovered by these investors; if they do not exist, they cannot be created by government agencies. Should government enter the profit-making field, however, it will soon find that public investment has become a substitute for private investment and that it is making no net addition to total investment which was the primary object for its being. Given these limitations, the economic criterion that should guide public investment is essentially that which guides private activity under competition: diminishing marginal utility, which means simply that, allowing for modifications because of social and political circumstances, the most profitable projects should come ahead of the less profitable. This will make it possible to restrain the growth of the national net dead-weight debt.

Projects to be undertaken in order of importance would be:

- (1) Profit-yielding projects—those likely to pay interest and amortize principal. Some public power and many housing and city planning projects may possibly fall under this category.
- (2) Projects that yield no return but the principal costs of which are self-liquidating over time.
- (3) Partly self-liquidating projects.
- (4) Projects affording no financial return to the government either in principal or interest but affording a financial return to the nation. Free public roads, forests, and erosion control probably

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fall under this classification. (5) Projects such as parks which provide only a return in social utility. Useless or positively detrimental projects are to be avoided. We should not destroy natural beauty to provide made-work projects, nor should we build flimsy houses and public buildings merely for the pleasure of tearing them down every generation to make room for new; the American people are not nomads.

We still appear to be far from the day in which there is no more useful work to be done. But if that day comes, if wealth has accumulated far beyond our needs, and if we do not care to make gifts to foreign nations, we shall have reached the stationary state which like heaven or nirvana, does not seem to satisfy the creative forces latent in mankind. Men will find their outlets, let us hope, not in war and similar vicious propensities but in a society organized to provide for needs, security, and a leisure that will enable all to attain their highest ideals of individual freedom, culture, and enjoyment.

IX. MONOPOLY AND PRICE POLICY

The success of public investment as a means of raising the national income is by no means undisputed. It is not questioned that a large volume of government expenditure, such as we have had in wartime, will create a larger monetary flow. What is disputed is whether moderate public investment in peacetime projects may not inhibit private outlays and thus neutralize itself. This tendency no doubt exists where government enters into direct competition with private business and, for that reason, public investment should, as already remarked, be confined as far as possible to noncompetitive fields.

But, even if this were done, other difficulties are encountered in the attempt to increase employment by public expenditure. In a predominantly competitive society, output and employment would be highly elastic until full employment was reached; increased public outlays would result in more jobs and more output without much effect upon prices. National real income would thus rise together with the rise in money incomes and would also be widely distributed among the population. In the existing economic society, however, perfect competition is approached in only a few sectors; other portions are highly organized to restrict output for the purpose of raising prices and increasing profits. Monopolists, whether they be industrialists, merchants, farmers, or laborers,

may, therefore, take a highly selfish view of national policy and continue to siphon off into their own pockets by means of higher wages, prices, and profits the increased income created by public expenditure, leaving little for the unemployed.

Monopolistic control over productive resources is consequently a barrier to expansion of output by means of public works because the government expenditure so incurred might actually lead to an inflation of prices and higher money incomes for those already employed while millions of the less fortunate remained outside of the economic system. Attempts to attain full employment by means of public spending cannot, therefore, succeed without inflation unless they are accompanied by an attack upon all the elements in our society that restrict output as expenditure rises. Unfortunately it is these elements, not the unorganized nor the unemployed, which are the most powerful economically, socially, and politically in our national life and, having been further entrenched by the war, they are not likely to give up their special advantages for the common good.

At the close of the war, all interest groups should reconsider their price policies. Downward adjustments should be made in prices that appear to be so high as to discourage effective demand, particularly those which have risen disproportionately to others. Then, as output increases, prices should not be raised but should even be lowered as larger profits begin to appear, thus enlarging the market and enabling more and more workers to find jobs. With the enlarged market, unit costs of production will fall and the profit margin per unit of output could also be reduced. Jobbers, wholesalers, and retailers in the distributive trades should likewise learn to make an adequate profit on a larger volume and lower markup. This policy would keep business profits to reasonable levels, reduce the tendency for a wage-price spiral, increase real wages, and undo some of the injustice suffered by the middle classes because of war inflation. Those sections of labor which have made substantial gains in money wage rates during the war might pursue a policy of money wage stabilization as output expanded, a policy that does not, of course, preclude adjustments in relative scales or for low-paid groups. With society organized into powerful bargaining groups, we can merely urge such policies and appeal to enlightened self-interest to make them effective; we cannot compel their adoption even if we know that without them public spending is likely to fail of its objective.

X. THE NATIONAL DEBT

If the budget is to remain balanced while public-works projects are undertaken, taxes will need to be large enough to cover both ordinary and extraordinary expenditures. Large-scale public works have heretofore usually been paid for through deficit financing because this method was believed to be more stimulating and also because it was the only means of finance that was politically feasible. A continuation of such financing has been advocated for the future by those who hold that the public debt can be expanded virtually without limit. Before going into the merits of that position, it may be noted that the consummation of such a policy is not now likely to win public consent and that the war period certainly has not demonstrated the possibility of induced full employment without grave threats of inflation and of social conflict.

A theoretical case can be made for the view that there is no serious danger in the expansion of an internally held public debt because the interest paid by the government and received by the citizens has no net effect on the national income; that real danger arises not from the debt itself but only if fiscal policy permits too great a total expenditure and thus induces inflation. By proper taxing, spending, borrowing, and lending policies, it is argued, inflation can be prevented.¹ The argument that it is not the debt but wrong fiscal policy that may bring about inflation is true but incomplete, for it does not go to the root of the matter, namely, that the same forces that compel the growth of the debt will also compel inflationary fiscal policy. The debt grows because the public will not permit idle funds to be absorbed by taxes and recirculated; it will not part with these assets but will convert them into bonds. There is no sudden change of heart when inflation threatens; instead, additional complaints are heard about the rising cost of living which is adduced as a reason for still higher wages and incomes and lower taxes. There is, however, so much that is valid in this view, especially when compared to its contrary, that we should not forget what is true about it while exposing its limitations for purposes of public policy.

If the Federal government were able to spend in order to overcome unemployment and to cease spending whenever necessary to control inflation; if it also had the power to break up all monopolistic

¹ See LERNER, ABBA P.: *The Economics of Control*, Chap. 24, New York, 1944.

controls and if, in addition, it could tax any person in any amount, at any place, at any time, it would be able to prevent inflation regardless of the size of the national debt. But such taxing power hardly exists even in a totalitarian state, and the limitations in the ability of democracy to control inflation even after full employment is reached are shown by the war; not fiscal policy alone but direct price control and patriotic appeals had to be used to stem the inflationary tide.

Something less than complete fiscal control would be adequate if the size of the debt were moderate and if the annual increment were small, but it is an exaggeration to say that the size of the debt is a matter of complete indifference. Those who assert this make the qualification that it is necessary to control the spending that produces inflation. But there's the rub; so long as the public holds a huge debt coinable into money at its will, the inflation danger will continue, unless there is dictatorial control over monetary and fiscal policy. Should, on the other hand, the debt be nonredeemable, an attempt to sell a large volume of bonds would spoil the bond market and make further financing extremely difficult.

Given all the controls mentioned, many interesting possibilities suggest themselves. No taxes at all would have to be levied so long as idle resources persisted, and even the interest on the debt could continue to be paid by issuing more bonds. A corollary to this proposition is that government bonds might even be distributed free to all citizens in order to provide them with security. This corollary may appear as a *reductio ad absurdum* of the proposition that there is no limit to the national debt; but it would be an error to treat it as such, for the supposed distribution of bonds is qualitatively no different from any other deficit financing. That the idea appears fantastic is simply because it is unfamiliar. It is not, however, obviously absurd as it might seem. We have given our citizens billions upon billions of government bonds during the war in exchange for war materials that were destroyed; it is only another step to give them bonds for nothing. In the actual state of the world in which we live such a policy might lead to inflation in the capital market from whence it could be transmitted to other goods. The economic and social implications of an unlimited and rapidly growing debt policy are moreover so manifold and conjectural that no responsible government could afford to toy with it.

It seems prudent, therefore, to permit the debt to grow only when it is impossible to bring about high employment by the use

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of taxes. Our long-term objective should be full employment at stable prices¹ with a balanced budget. When this state is attained, saving will be exactly equivalent to net private capital formation. Public works paid for by taxes would vary inversely with private investment, and the public, by its consumption and capital building activities, could determine whether they should accumulate private savings or whether their excess incomes should be transferred to the Treasury by taxes.

It will probably be necessary to run a budgetary deficit in the interim, while moving toward the ultimate objective of a long-term budgetary equilibrium at full employment, because complete financing of public works by taxes would further depress consumption and private investment, destroy the savings of those who need security, and meet with political defeat. Although it is apparent that hoarded savings destroy income and that a gain would accrue to the nation if these savings were taxed away and returned to the income stream, the taxpayer who makes and hoards the savings is not necessarily the same person whose income is impaired thereby; the hoarder will consent to lend his money while refusing to have it taken from him by the Collector of Internal Revenue.

Funds should be obtained by steeply progressive tax rates and by running a deficit large enough to permit the lower income group to pay debts, add to their savings, and make themselves feel more secure. Social security, although it diminishes the need for some individual savings, does not substitute for them completely and for that reason (in the absence of adequate private investment) government deficits rather than taxes should provide the offset for the savings of the small man. The savings of those already having adequate security should increasingly be offset by taxes, thus restraining the growth of the national debt and gradually effecting a change in the distribution of income and assets in the direction of greater equality.

If we dare to speculate about the long-term future, we can see that a change in the distribution of income will not automatically remedy the tendency toward excess savings but that, if we can assume sensible political action, it will facilitate the ultimate balancing of the budget by taxes on the whole population at whatever level of income is agreed upon. The national income in the transitional period will consist of consumption plus private capital formation plus the annual increment in the government debt; at long-run

¹ Or prices falling as efficiency increases.

equilibrium, it will consist only of consumption plus private capital formation, the budget being balanced. In the long-run full-employment equilibrium, income will be just equal to the goods and services that we collectively need for current consumption and for maintenance and expansion of our plant, the taxes collected from one group and paid out to another being just equal. When this stage is reached we shall be back where we were fiscally when private investment alone provided full employment.

XI. FISCAL POLICY AND FULL EMPLOYMENT

The progressive principle of taxation should continue to be applied in order to raise the funds necessary to approach budgetary balance. The application of this principle does not require that each and every tax be in itself progressive, but that the net result of the totality be such as to burden the lower incomes proportionately less than the higher. If the view should gain that tax concessions should be made primarily to high incomes at the expense of the rest of the population, its practical political result may be that the necessary revenues cannot be obtained at all. If then stagnation ensues and government deficits are necessary to promote employment, the total debt will expand, the strongest economic groups will use their power to boost prices and wages, and the nation may be beset by creeping inflation in the midst of under-employment. In brief, a violent alteration in economic and social classes will be effected by inflation instead of the gradual adjustments of class relationships which can be brought about by an orderly tax policy. The argument that the continuation of private capitalism requires a shift of the tax burden from the higher to the lower income groups in order to provide the wealthy with investment incentives is inadequate because such a shift would decrease consumption, diminish investment opportunities, and at best merely shift investment from the small to the large investor. The service industries that need to be expanded in the future afford many opportunities for small-scale operation which can be developed by thousands of individuals who do not fall in the higher income brackets; these can combine investment with personal effort, thus increasing activity and adding to their personal security.

It is in the realm of fiscal policy that the conflict of interests over distribution comes to a focus; a fact that becomes increasingly evident as taxes take an increasing share of the national income. Heretofore, the theory of distribution dealt primarily with the

factors determining the relative prices of goods and services in the market. We have noted how monopolies and group organization are able to exert economic and political pressure to increase their share in primary distribution at the expense of the underlying population, and that this power can and probably will be used to obstruct the attainment of full employment. To the traditional conflict over the distribution of income has consequently been added a conflict over the opportunity to earn an income. The integration of the theory of distribution with the theory of employment makes it clear that the same forces that stand in the way of equity and democracy in distribution also stand in the way of full employment. For that reason, the democratic ethic is consistent with the needs of a fully functioning economic system in the realm of public policy.

When outlets for private investment are sufficient to absorb all savings, the concentration of income simply diverts resources from consumption to capital formation and augments the total national productive plant. The long-run effect of such concentration is, therefore, to increase the total national income, the distribution of which is determined by competition, monopoly, collective bargaining, and political pressure. Under full investment moreover, a particular allocation of income among individuals and groups which results from this process has little influence upon the total use of resources; it merely determines how they are distributed between consumption and investment and among the different lines of endeavor.¹

Distribution, under conditions of full employment, is an ethical problem; under depression conditions, it is an economic issue. With full employment created by private investment the ethical effect of a particular distribution of income may be good or bad, but its economic effect is neutral: it neither promotes nor hinders employment.

When, however, the outlets for investment become insufficient, a particular distribution is no longer neutral; it may be either an aid or a hindrance to activity as a whole and, since a more equal distribution of income will promote consumption and investment, a policy that encourages it becomes both ethically good and economically wise.

¹ I neglect here the effects upon total output caused by diminishing productivity, increasing and decreasing costs, and monopolistic practices. These factors affect total output from a welfare standpoint but not total activity.

It follows, on the other hand, that all who wish to minimize the tax burden will find it to their own as well as to their country's advantage to make private investment function on a high level. The advocates both of conservative and of liberal tax policies have consequently argued that investment and jobs will be furthered by their respective programs. We may weigh these probabilities for purposes of action and make up our individual judgments, but only the future can actually demonstrate, and even then hardly to everybody's satisfaction, who is correct.

XII. ECONOMIC MATURITY OR EXCESSIVE SAVINGS?

The presumed need for public investment does not rest upon the postulate that no opportunity exists for further capital expansion in America because we have reached economic maturity. It rests upon a much more simple and less far-reaching assumption: that, at a high level of income, we desire to save more than we can profitably invest. This does not imply that net investment will reach zero, that further expansion, change, or improvement has come to an end; it simply suggests that there may be a residual of savings which impedes the full flow of income in the community. It should be pointed out, moreover, that even with zero net investment considerable physical capital formation would take place in the form of replacements, maintenance, depreciation, and repairs which would maintain some activity in the capital-goods industries. The mere maintenance of the capital fund intact out of the expenditure of depreciation reserves would continue to change the physical, technological, and geographical structure of industry and improve the face of our cities and towns. The economic maturity argument when stated in less than its extreme form is that because of the slowing up of population growth, the development of capital-saving inventions, and the large existing stock of capital, the outlets for new investment are becoming smaller in proportion to the national income. It is a theory of diminishing investment opportunities. Only at the limits does it assume net capital formation to be zero, a condition implied in John Stuart Mill's stationary state, to which many of his remarks are still applicable today. He thought that life in the stationary state would be neither stagnant, unfruitful, nor unpleasant but in its humane and cultural aspects even superior to that of the progressive society.¹

¹ "I am inclined to believe that it would be, on the whole, a very considerable improvement on our present condition. I confess I am not charmed with

Mill did not, however, visualize the stationary state as one in which resources were unemployed; for him it was what we now call a full-employment, high-consumption economy with capital formation equivalent to depreciation. Even if in the long run we could reach the ideal conditions depicted by Mill, we would encounter much unemployment, hardship, and class conflict on the road. Our immediate policy must, therefore, take into account a long transitional period during which the basic economic factors are afforded a chance to achieve a new adjustment.

It is hardly modest to be dogmatic about the future; we do not know positively that there will be a tendency toward stagnation. Indeed many hold that a falling rate of interest will operate, even if slowly, to correct excessive savings and that the stagnation of private investment in the thirties was a quasi-political and not a pure economic phenomenon.

Indeed until recent times it was generally believed that the free operation of the price system would ensure an equality between savings and investment at full employment. The rate of interest, it was held, acted as a regulator: a low interest rate would diminish the inducement to save and decrease the volume of savings; at the same time, it would increase the demand for capital expenditure. Although there may be some truth to this view over the period of a generation or more, the rate of interest does not seem to have these effects in the short run. The desire for security, power, and prestige seems to act as a more effective urge to save than the rate of interest; savings consequently continue to be made out of income almost regardless of the prevailing interest rate. At the same time, the height of the interest rate seems to have little effect upon the volume of investment.¹ In recent times at least, the desire to save has been greater than the willingness to invest, with the result that money has been hoarded and income has been held to a low level.²

the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind. . . . The best state for human nature is that in which, while no one is poor no one desires to be richer, nor has any reason to fear being thrust back by the efforts of others to push themselves forward." MILL, J. S.: *Political Economy*, Book IV, Chap. VI, par. 2.

¹ See my *British Finance* 1930-1940, pp. 290-297, 314-317.

² Lord Keynes puts it even more strongly: "There has been a chronic tendency throughout human history for the propensity to save to be stronger than the inducement to invest. The weakness of the inducement to invest has been at

Not an automatic regulator in the form of the rate of interest, but the historical situation determines whether the opportunities for investment equate the desire to save, and the opportunities for investment depend upon a variety of circumstances which change over time. Thus, while the American economy stagnated even with a small Federal deficit during the 1930's, the British economy made a recovery, with a balanced budget, under the impulse of private demand. True, this recovery still left a large volume of unemployment but it demonstrated that private capital formation on a large scale was still possible. The United States found outlets at home and abroad for a large volume of savings during the 1920's even after a considerable expansion during the First World War. Rather than to generalize for all times and places, it seems better to make estimates for the near future and to act upon the calculable probabilities. Moreover, the opportunities in one nation may be restricted while there is a paucity of capital in another; future international political stability will, therefore, be a factor determining the international capital flow.

We have seen in recent years how opinions about the future arrived at by extrapolating the immediate present have shifted like the sands on the seashore. Even if it is vain to predict the future of the economic system as a whole and to speak with much certainty about far-off events, still we must make some assumption about the secular trend if we are to act with discretion. Some may prefer to blink all unpleasant facts, to profess their unalloyed dislike for the very idea of stagnation, and to assert with vehemence and pride their faith in the continued growth of private investment, as if these attitudes in themselves had much influence in determining the reality. If, however, we are not to remain indifferent to the plight of our fellow citizens, we should prepare for a contingency which, though not certain, is still not altogether improbable.

The same general policies are needed whether or not private investment is adequate to ensure full employment. The destruc-

all times the key to the economic problem. Today the explanation of the weakness of this inducement may chiefly lie in the extent of existing accumulations; whereas, formerly, risks and hazards of all kinds have played a larger part. But the result is the same. The desire of the individual to augment his personal wealth by abstaining from consumption has usually been stronger than the inducement to the entrepreneur to augment the national wealth by employing labour on the construction of durable assets." *The General Theory of Employment, Interest and Money*, pp. 347-348, New York, 1936.

tion of monopolistic controls and the encouragement of reasonable group behavior will encourage private investment and will render public investment more efficacious if it is needed. For just as monopoly, the concentration of wealth, and inflexible, greedy, and unreasonable price, wage, and profit policies impair the proper functioning of a purely private economy, so they also, as we have seen, make it impossible to expand output and employment by public spending in a mixed economy. Compensatory spending should not, therefore, be considered as a substitute for the attempts of interested groups to do all in their power to make the economic system work by pursuing reasonable price policies.¹

Even with diminishing investment opportunities, the total output of goods and services could continue to grow and to improve in quality and variety, new inventions would be adopted and new products would reach the markets. For many individuals and groups, however, such an economy, in the absence of public investment, would be one of shrinking opportunity: the unemployed worker would find it well-nigh impossible to find work again, the producer of capital goods would operate at a low level, and industrial profits, except those in strategic and monopolistic positions, would tend toward a minimum. In such a state of affairs, attempts would probably be made to exclude some groups of our population from access to jobs and income, which would come to be considered not a common right but a privilege to be enjoyed by the elect, a result which might very well be quite the antithesis of that equality of opportunity for which real democracy stands.

The discovery that we can produce in such abundance that we find it difficult to use all of the output should be the occasion not for grief but for rejoicing. It is merely if we are unwilling to make adjustments to this new condition that we need despair of the future. A disproportion between savings and investment created by high productivity is not an indication that a nation is going backward, that its scientists, engineers, and industrialists lack initiative, that a spirit of defeatism permeates its life. If it signifies anything at all, it signifies success. It is a sign that our standards of well-being must be raised if all our resources are to be fully utilized. This being the state to which all progress has impelled us, it is not an emblem of defeat but a challenge to our social intelligence and creative will.

¹ We should also recognize, on the other hand, that even in a state of competitive equilibrium with relative prices perfectly adjusted, a high level of income may still lead to a savings potential greater than investment.

CHAPTER II

AMERICAN UNIONISM IN THE POSTWAR PERIOD

SELIG PERLMAN AND WILLIAM H. KNOWLES

The postwar position of American unionism will be the product of four principal determinants: the relationship between unions and the employers in the principal industries, the possibilities for full employment, unionism's own "home-grown" pattern of aspiration and behavior, and the shape of the then existing relationship between unionism and government.

Unlike employers in any other industrialized nation, American employers, on the whole, are far from having accepted the right of unions to exist, much less engage in collective bargaining. Under the favorable political climate of the New Deal (with employers unable to maintain an expanding economy), labor was able during the decade of the depression to make heretofore unheard of gains in the development of industrial government, particularly in the hitherto unorganized mass-production industries. Employers, under the compulsion of the Wagner Act, were the unwilling, or at best only half willing, partners of labor in erecting this industrial government, and there are many indications that employers are preparing for an all-out war against unionism when the Second World War is over.

An expression of antiunionism can be observed in the present barrage of laissez-faire ideology reaffirming employer faith in the good old days of the nineteenth century. That century was the golden age of business, marked by great inventions, the growth of corporations, the rise of great cities, and the development and exploitation of new-found lands, including our own country. Business was supreme.

The depression of the thirties undermined the confidence of business interests and their belief that they alone could make our economy prosper. The war has made the plants of the nation hum again, and business, regaining its confidence, looks once more to those glorious days of the past century. The depression, busi-

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nessmen say, was the result of government meddling, New Deal bungling, bureaucracy, and college professors. (Evidently, the depression began with the New Deal and not with the Hoover administration!)

To carry on in the nineteenth-century tradition of great economic expansion, the advocates of absolute business sovereignty look to the growing backlog of purchasing power to launch a 15-year boom. Business will then take hold of the situation by exploiting the many new inventions that have remained undeveloped during the war years. Government, of course, is to retreat to the background, for, it is said, government participation in the economy causes lack of confidence and leads to regimentation. Moreover, government lacks the genius of private enterprise in finding and serving the consumer's every whim.

Full employment by continued economic expansion is to be achieved by private enterprise primarily through research. Modern industry maintains great laboratories in which steady product-development is taking place. Business looks for a constant stream of plastics, synthetic textiles, television, low-cost housing, cheap automobiles, etc., to keep the wheels of industry rolling.

Continued economic expansion, however, rests also on the willingness of business to invest. And there are two points that business would like cleared up before it is willing to invest, to exploit new inventions, to assure economic expansion, and to guarantee full employment. The first point is about labor unions. Labor unions demand too high wages, which take the profit out of business, and this in turn makes further investment unattractive, etc. To remedy this unsatisfactory situation it is suggested that business form powerful associations equal to the bargaining strength of unions, thereby holding down excessive wage demands. Business also gives some friendly advice to labor unions, suggesting that they become "market-conscious." This means that unions, desiring full employment as much as any group, should contribute to the efficient running of plants, which would increase profits, which would create investment incentives, etc. Their second criticism is our tax structure, which drains off excess profits which would have been used for investment, which would have exploited new inventions, etc. It is therefore suggested that the government cease taxing potential "risk capital" and tax someone else.

The above economic reasoning is prevalent among many businessmen and their spokesmen and may be recognized in the full-page

"institutional" advertisements (considered a legitimate business expense, paid for by the public as part of the cost of war material) announcing that business *alone* makes weapons for winning the war and preserving democracy and that business *alone* will build a new world, full of glamorous gadgets, after the war. "Free enterprise" has been redefined to mean the absence of governmental regulation and union interference in the almost holy realm of business. There is something reminiscent in these sophisticated institutional incantations of the welfare capitalism of the twenties.

Adherents to the philosophy of big business fail to realize that even if their program were feasible it would be difficult to reverse a trend, begun long before the New Deal and further accentuated by the war, of government participation in business. And, although unionism may be merely a bother in their grand strategy for full employment, a postwar antiunion drive is not likely to turn back an equally long-time trend of union growth, despite the fact that recent union growth has been in a hothouse environment.

More important, however, as far as postwar employment is concerned, is whether the assumption is valid that prosperity hinges on the incentive to invest. New Deal economists, generally adhering to the Keynesian interpretation of depression causation, make the question of full employment hinge on the opportunity for investment rather than investment incentive.

First, it is pointed out that in the past century the four continents were developed and that further expansion of this type is limited. For instance, the steel industry was built to a size necessary for the laying of new railroads across the nation and for the building of new cities. Now that the railroads are built, rails are needed only for replacement. As skyscrapers and bridges do not wear out fast and the erection rate has slowed down, there is little demand for structural steel.

The past century also came forth with great capital-consuming and labor-consuming inventions such as the steam engine, railroads, and textiles. Invention continues, but it tends to be of a capital-saving and laborsaving nature. Again using the steel industry as an example, in 1938 it was worth about 3 billion dollars and turned out more steel than in 1924, when it was worth about 4 billion dollars. Machine tools costing as much as they did 10 years ago are far more productive. This means that less saving and investment are necessary to equip a plant with the same productive capacity.

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Closely connected with invention and exploitation of continents was the fourfold increase in population of the last century. This increased population was necessary to the expansion of the times and in itself was a factor toward further expansion as it resulted in a greater demand for consumers' goods. Our population is still increasing, but at a decreasing rate, and statisticians predict that it will soon stabilize itself. Therefore, continued economic expansion resulting from population growth is not likely.

Finally, the great demands of the war have caused tremendous expansion. Since Pearl Harbor, 20 billion dollars (15 billion dollars by the government) has been invested in industry. Never has there been such expansion in so short a time. It is only proper to assume that the problem of first importance will be to adjust to our increased ability to produce.

From the foregoing reasons it becomes apparent that continued economic expansion is unlikely. Our economic system has become mature. If this is accepted as true, what are we going to do with this excess of savings which is neither invested nor consumed and which leads toward unemployment? The answer given by the New Deal economists is that we shall tax or borrow this surplus savings for *public* investment. It is argued that expansion under private enterprise has been extensive in scope and there is need for intensive development that is unprofitable to private enterprise.

For example, our cities are built, but badly built, and we must now go back and replan and rebuild them. Slum clearance, recreational areas, and elimination of traffic congestion are socially necessary, would provide employment, and would be sound investments. Such investments, however, are not profitable to private enterprise.

National transportation development is also needed from a community point of view. Superhighways and airport building will be needed more than ever after the war. Private enterprise has been unable to supply the country with a well-planned railroad system, adequate modern railroad equipment, or terminal facilities. (Have you ever changed trains in Chicago?) The railroads have been noted for frantic development during boom times, thus contributing to an unhealthy boom, and deterioration of equipment during depressions, thus stimulating further depression.

Our population is, by and large, inadequately housed. The pre-war building rate was a little over half a million units a year, which was worth about 2.5 billion dollars. It is estimated that a million

and a half housing units per year, which would be worth about 8 billion dollars, are needed. An investment of 8 billion dollars a year would certainly contribute to prosperity.

Regional development is another possible outlet for public investment. The Tennessee Valley Authority (TVA) is such a huge and comprehensive project that only the Federal government was big enough to undertake it. The TVA has improved the lot of the people, has made private expansion possible where heretofore it was impossible, and is paying for itself. With the country losing 3 billion tons of soil annually through erosion, with the lack of water storage causing drought and disease, with inadequate electrification that results in private business losing potential customers, industrial and domestic, and with our forests being cut down twenty-five times faster than they are being replaced, all these indicate that more regional development is needed.

Urban planning, transport improvement, housing, and regional development then are desirable and possible outlets for savings. It is important to realize, however, that more is to be gained than the initial employment provided by the investment of savings. This investment becomes somebody's pay check, which is in turn spent on consumers' goods, thus stimulating other industries. In other words, investment is a means of getting savings to flow back into the economic stream. Moreover, public investment stimulates private investment. The war and TVA have demonstrated this. Public investment takes the form of a new war plant and the resulting private investment takes the form of new restaurants near the plant, new houses, and new service trades to form the new community. Finally, a steady, long-range public investment program would act as a stabilizer on the economy. Business is forever confronted with the uncertainty of the future and if it knew that the government was to be engaged in a long-term investment program, thereby guaranteeing prosperity, business could plan with greater certainty.

The assumption by the philosophers of business that continued economic expansion is possible is their fatal weakness, making their demand for the creation of attractive investment incentives untenable. Mass investment opportunities will be lacking and no one will be able to call them into being either by incantations of the propagandist or by "incentives," such as removal of taxation from corporate profits. More likely, therefore, business will go on strike. From a purely economic standpoint, the New Deal econo-

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mists' program is desirable, but from a political standpoint, and politics must be reckoned with, it has little vote appeal. Reaction always follows war, and, added to this is the reaction against 12 years of New Dealism.

It becomes apparent, however, that government action *can* maintain full employment, *can* determine the general level of the nation's economic activity and, that following a postwar boom, if there is one, such government action will be increasingly necessary. With general political reaction and a short boom to help it along, it is likely that the business program will carry the day. In such an event, *i.e.*, a pseudo-laissez-faire economy with large-scale unemployment looming on the economic horizon, political reaction must give way to a governmental economic policy or chaos will result. For, it is unlikely that any administration, Republican or Democratic, will ever again stand by, doing nothing, while the bread lines grow.

However, postwar economic America will be affected not alone by incentives to invest and to create jobs but also by the established methods of American labor organizations for dealing with the jobs from their particular angle of approach. Will organized labor revert to its pre-New Deal trade-union version of *laissez faire* when it was led by Samuel Gompers in person or dominated by his departed spirit? How strong will that ancient pattern prove to be when government has assumed the role of important investor and thus cocreator of job opportunities as well as a regulator of job conditions? The American union pattern is usually contemptuously dismissed as just a "more now" drive, and denied the dignity of having an "ideology" because it is a "job-conscious" unionism.

Assailants of America's job-conscious unionism have constantly viewed it as a phenomenon in labor movement pathology. To the extreme left, job consciousness is a case of hopeless degeneration of vital tissue; to the "centrists" and the rightists in the radical movement, it is an arrested development to be overcome by suitable ideological injections. Although the racketeer-infested segment of American unionism bears out the former, and the unhappy performance of the American Federation of Labor (A.F. of L.) leadership in 1935-1936 which gave us the civil war in labor may fairly be cited as proof of the latter, to the writers job consciousness is primarily an emphasis on what is *nuclear*, what is the central core of labor's interest. When uncomplicated by personalities, passions,

and dogmatism, however, job consciousness compels a widening of the area of interest with changing conditions. On the other hand, American labor history teaches us that nuclear it must remain if the movement is not to weaken or disintegrate.

First, we must explain how American job-conscious unionism came to be. The Gompersian program was the product of a half century's effort by the American labor movement to attain stability and a real foothold. The struggling unions had to learn to cut the cord that tied them to the farmer and other middle-class anti-monopoly movements, with which they shared an overweening passion for self-employment and a burning faith in salvation through political parties thrust up by the "producing classes." Labor had to learn to avoid these enthusiasms as "sure" paths to victory and to concentrate on the job interest as the only hard economic reality in a wage earner's life. Labor's historical experimenting also extended to the American community as a whole, to the "public," to the employers, and to the government.

Labor learned that an attack, or even what might be misconstrued as an attack, on private property and enterprise as institutions would be only a free gift to its enemies. It found that employers, if the gods were willing, could be coerced or sometimes cajoled into a joint job administration under a trade agreement. It discovered that the structure of political action in the United States doomed any labor party that dared to compete with the "old parties," but that the American political structure opened a possibility for carrying collective bargaining into politics and even for infiltration of the old parties. Finally, labor learned that the American government with its states' rights, judicial review, and general checks and balances was a limited instrument for labor's good and often a menace to be warded off (for example, the Sherman Act).

But if the government was to be handled with caution and fear, labor could still go ahead building up two kinds of unofficial governments, each around the job interest. One was a government for the labor movement itself, erected on the principle of exclusive union jurisdiction and setting up the labor movement as a job empire with affiliated job kingdoms, duchies, and baronies (*Nulle terre sans seigneur!*) and held together through the absolute and pitiless suppression of "dual" or illegitimate unions. The other kind of government, dealing as it did with conditions of employment, had to reckon with the employers, but under it the unions sought,

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wherever possible, full possession of the "job territory" through the closed or union shop.

Such was American unionism when the sovereignty of American government was confronted with the stronger sovereignty of American business, when the economic system including job opportunities was being kept up and expanded by private enterprise alone. Under those circumstances, labor's task was to build its union fortifications over the several job territories, mostly craft, a few covering an industry. Unionism of that period saw little lying outside the immediate economic area that could either improve the conditions of the job or multiply job opportunities.

The great changes in the economic system as a whole, in technology, and in government, have recently compelled job-conscious unionism to raise its sights, taking in a new and vast job hinterland, to remove many of the boundaries within its own job empire, and to supplement economic action with politico-legislative action. The technological changes are, of course, of longer standing than the others. The change in government and in the political climate is obviously the New Deal. The change in the economic system is capitalism's lost ability to furnish full employment even for short periods.

This change in labor's environment may be compared to recent changes in warfare which necessitated alterations in the art of building fortifications. Prior to the airplane, it was enough to fortify a limited area, adequately garrison it, and confidently await the assault. Today, to be impregnable, a fortress must control an area of a radius of many hundreds of miles, even aside from the consideration of the wider strategy of protecting the whole country. The mere "nuclear" interest, the holding of the fortress, has thus compelled the erection of outlying strong points, to keep away enemy bombers. The "nuclear" interest of unionism remains in servicing the job, but changed environment has caused job-conscious unionism to broaden its scope of operations.

The New Deal has opened the door to the heretofore forbidden mass-production industries. The narrow-visioned leaders of the A.F. of L. who forgot the law of motion of their own movement as taught and practiced by their master, Samuel Gompers, managed to couple this blessing with the curse of civil war in the labor ranks. For, as the demand for industrial unions was presented by the "progressives," in contrast to the earlier formulations, which, if granted, would have removed most of the existing partitions and

probably spelled chaos, there was no reason whatsoever why a constitutional crisis in the labor movement should have arisen. That crisis was as much the fault of the self-appointed constitutional lawyers and pseudo historians within the high official leadership as of the leaders of lesser fame, greedy for dues and power.¹ It split the labor movement in 1935 into the warring A.F. of L. and Congress of Industrial Organizations (C.I.O.) camps.

But it is noteworthy that the C.I.O. unions, mass-production unions and others, while utterly contemptuous of the crafts' phantom partitions, did not fail to reproduce the old procedures of job administration, including seniority, priority, job sharing, etc. Even Harry Bridges' Longshoremen's and Warehousemen's Union of leftist renown failed to proclaim the jobs in that occupation free to all workers. Union-management cooperation, emerging wherever the attitude of management favored it and betokening an active interest in the job hinterland, was the same here as in the Baltimore and Ohio shopcrafts' prototype. On the other hand, the A.F. of L. has not only survived but has grown apace. But if American labor's job-conscious objective has remained the same, the method of attaining that objective has now become altered.

The New Deal has effected a revolution in American government quite comparable to the Jeffersonian and Jacksonian revolutions. The attack on the Court, followed as it was by a counter-reformation, has brought together the *disjecta membra* of American government into a powerful instrument. Since the Court decisions in the spring of 1937, American labor has been on a near equality with labor in Britain as regards the utility of government as a tool. No longer is the politico-legislative arena a place where labor can merely pursue a mirage. It is now a real front where decisive victories can be won. Pure and simple unionism becomes a museum piece not because of a needed defection from job consciousness but because of the very fealty to job consciousness. The railway unions, owing to special circumstance, have epitomized this development.

When a real promised land looms on the other side of the desert, the desert itself assumes a new attraction and a journey through it becomes a "grand tour." Yet the vehicle to be chosen has not been determined by the now greater attractiveness of the objective.

¹ See PERLMAN, S.: Labor and Capitalism in the U.S.A., 1920-1937, in *Organized Labour in Four Continents*, H. A. Marquand, ed., pp. 321-404, London, 1939.

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So far nothing has happened to upset the conviction that pressure politics and control of a major party through infiltration are the real vehicles rather than a political party in competition with the old parties.

With the American ingrained aversion to "class" parties and with the labor pattern of action still alien to the majority, America can have a progressive government only under an exceptionally competent leadership. It must be skillful enough on the one hand to resolve the mutual antagonisms, material and sentimental, between labor and the middle class, notably the farmers and small-town inhabitants, and on the other hand to hold in line the vested interest groups within its own party.

American unionism will progress not by an ideological "conversion" that will expunge job consciousness but as an organic interpretation of job-conscious unionism to make it fit the new environment as the Gompers version fitted the old. For, in the last analysis, job consciousness is not a state of progressive anesthesia but one of never-failing sensitiveness—the very manifestation of life in the wage earners and their movements.

Yet the new intimacy between organized labor and government was bound to create "domestic" problems of its own kind. The path of true love is never altogether smooth and the divorce court soon enters into calculations. To have the government in the midst of industrial relations meant ministration by government administrators and the appearance of unavoidable incompatibilities between them and union leaders, to say nothing of business opposition. The sweeping antagonism between administrators and labor was more certain because the administrators were humanitarians and New Deal reformers. For, although the latter are slow to realize it, the unionist's conception basically clashes with the humanitarian's. The latter sees the union more immediately as an instrument whereby the capitalist system may be made to work better by boosting purchasing power through higher wages and more fundamentally as adding to his battalions on the political battlefield for a planned economy.

His mind on his own plans, the progressive administrator misses the view of unionism as a phenomenon psychologically akin to nationalism and almost equally potent—with the individual obeying the orders of the collectivity regardless of personal convenience or preference, with a species of territory, a "job territory," and with the "inalienable rights of man and citizen" reappearing

as seniority rights and the like. The citizen will feel it is his duty to refuse taxes to an illegitimate, usurping government; so will the unionist say, "No contract, no work." For, in reality, in his own mind as well as in fact, the unionist lives under two governments, his nation's and the union's. He wishes to be loyal to both and hopes that their demands upon his allegiance will not clash. However, if they do, he will not automatically respond to the nation's call but will roughly estimate the comparative injury to each in case of his refusal.

A perspicacious political leadership will try to avoid exposing him to such a moral ordeal. It was this struggle within his heart, not the pull of bigger pay against his patriotism, that caused, as reported, the Pennsylvania miner listening to the President's speech on Sunday evening, May 2, 1943, and sitting close to the crib of his marine son's infant, to break down and cry but affirm that, much as he wished to back up his son, he "could not go back to work without the other fellows."

We saw how, under the impact of the Rooseveltian political revolution, the Gompersian *static* job consciousness was reforged into the *dynamic* job consciousness of the C.I.O. and the rejuvenated A.F. of L. Yet the abandonment of the unionist's version of *laissez faire* has failed to shift unionism's focus from the job or wean it from "industrial government" activity as its prime and "natural" activity from which it derives the most vigor and health. When this "spot" activity in conference, quiet or vociferous, with foreman, plant superintendent, or manager was stopped and everything was transferred to the War Labor Board (WLB), the union was threatened with the condition of a tree with its bark ringed close to the ground.

America's industrial government was fated to land in the lap of the WLB because it had become a case of arrested growth. While Britain's employers have slowly but surely grown accustomed to unionism and to "due process" under agreement systems, our big employers, from self-interest but also in a measure from an ideological conviction of a "classless" America, have early in the century sworn allegiance to the "open-shop" pattern. The First World War saw a temporary lifting of the ban, but with normalcy and the "new era" it became even more absolute. The New Deal, first hesitatingly but later with zealous drive, determined that this country must catch up with and overtake Britain. But in Britain industrial government was by genuine agreement, the result of a

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spontaneous development; here, it was by governmental fiat and over the big employers' protest, although under the circumstances a subvocal protest. The legal compulsion to bargain collectively often proved no better than a "shot-gun wedding" and the sharply posited issue of the closed or union shop, itself the product of the American situation, only added fuel to the flames of dissension.

Hence, our wartime policy was unable to follow Britain's where wage control was largely entrusted to the industries' own intra-mural instrumentalities, their boards of conciliation. Hence also the paradoxical spectacle of this nation, most devoted to decentralization and self-help, now channeling all its labor issues before a centralized and authoritative government board. Deprived of the centipedelike support of the industrial governments on the ground, our labor policy was further crippled by the inadequacy of our economic control. British statesmanship has early realized that control of a wartime economy calls for the exercise of the skill of the cooper who before he is ready to encircle the staves with hoops takes care to place them *all* in position.

Probably the dominant shaping influence has been in the realm of the relationship between unionism and the wartime administrators. The outcry by American trade-union leaders in 1944 is against the "professors" and the "social worker crowd" on the government boards. For the "experts" (the WLB, the Office of Price Administration (OPA), *et al.*) have been stalling these leaders for 6- and 9-month periods while statisticians round out their scientific investigations to determine whether a wage grant would be compatible with "holding the line" against inflation. This is being done in bland disregard of these leaders' precarious position on the lid of the cauldron of rank-and-file discontent. These outcries, however, are merely a latter-day manifestation in ultrapungent American surroundings of the historical and more universal absence of eye-to-eye outlook between intellectuals and labor.

The "professors" and the "social-worker crowd" of the American labor scene of 1944 are more of the stripe of the "social efficiency" intellectual, of whom Sidney and Beatrice Webb are the glorified examples. In the scheme of things of the social administrator or social engineer, unionism is a "public unionism." Already in the early years of the present century, in the discussion as to what was to be done to counteract the Taff Vale decision (which had robbed the unions of their legal immunity under the act of

1871), the Webbs—they expressed it modestly and anonymously in their *History of Trade Unionism*,¹—proposed that “in view of the difficulty of effectively maintaining it (the legal immunity) against legal ingenuity, the Trade Unions should forego their position of being outside the law and should claim, instead, full rights, not only of citizenship but actually of being duly authorized constituent parts of the social structure, lawfully fulfilling a recognized function in industrial organization.”

Again in 1917, in his *Restoration of the Trade Union Conditions*, Sidney Webb argued that the trade unions, which had agreed to a shelving of their job-control rules for the duration, should recognize the inevitable demise of these rules at the hands of technological progress, and should consent to have them commuted for a comprehensive system of compulsory social insurance. In such a radically revised set-up as Webb had contemplated, unions would have become nothing else but Civil Servants’ Associations for Private Industry. Their “home-grown” job-control rules (of obligatory apprenticeship, of antidilution and of union demarcation or “jurisdiction” in American terminology) would have been cut down to the pattern of the Webbian “common rule” (e.g., the standard rate for the degree of skill required by the new process, the standard working conditions, and the employer’s full freedom to hire from any stratum of skill).

True, the “social efficiency” intellectual has always been a friend of trade unionism. But to him the unions’ supreme *raison d’être* in our state of “advanced social thinking” is to fit themselves willingly into his own “planned economy” and to jettison, without remorse or regret, any part that the mold will refuse to admit. With such a divergence of approach, can the “professors” and labor work together? This calls for an examination of the shortcomings of each for an enduring common alliance. The “professors” must learn that the labor movement is a living and evolving body, not a structure to be erected from an architect’s brand-new blueprint.

Under American conditions especially, without class consciousness to hold unions back from injuring one another in their mutual rivalry for members, the labor movement must be a single body, controlling and allotting “jurisdictions.” Otherwise there is bound to be chaos. When, owing to faulty leadership, the “house of labor” had split in two, both groups for a while benefited. But it must be clear that unity could have avoided greater crises.

¹ 1920, pp. 604–605.

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The "professors" on the National Labor Relations Board (NLRB) in December, 1937, when reunion was blocked by one labor leader alone (and he did so because he was certain that he stood to get NLRB aid against those who had stayed in the "house of labor"), should have quickly disabused him of that notion, thus bringing pressure upon him and upon the others concerned to reestablish labor unity. But these particular "professors" imagined Jehovah had delegated to them a leftover task from the sixth day of creation —to shape the American labor movement in the proper image.

The "professors," acting as administrators for government, have lacked the imagination to recognize that a union must "resell" itself to the members virtually every day—through surrounding them with an atmosphere of concern and of effective service. It is not alone in the dramatic days of an agreement's renewal that a union puts itself over with the membership, but also in its day-to-day ministrations—in adjusting grievances, inequities, and discriminations affecting groups within the plant as well as individuals.

When some board takes over that union function, relegating the union leader to the mere role of petitioner and supplicant, it has the power to break him as a leader. It has the power also to hamstring a union through a combination of remote control and of delayed decision. The union leader, say, has placed his stakes with the administration. The "experts" enforcing that administration's policy then veto wage increases which the employers are willing to grant. The burden placed thereby upon the union leader becomes well-nigh insupportable. What a boon it is for his demagogic rivals and what a threat of a breakdown of the union's internal structure through unauthorized strikes en masse!

In the concrete administration of any governmental policy, however crucial, it is only proper that the shock from frustrated expectations should not have to be borne by one group alone—the labor leadership loyal to the administration. The "hold the line" policy on wages, for instance, should have been administered not with dogmatism that poses as infallible science, but with an intelligent flexibility. Social science, including the science of economics, has not as yet reached the perfection of astronomy, especially where human behavior, such as rushing to spend wage income to the last penny, is concerned. In truth, no one can accurately deduce the width of the "inflationary gap" merely from the figures of aggregate wages and of aggregate consumer goods available for purchase.

Finally, the "professors," like all "social efficiency" intellectuals and "planners" from the Webbs on, are likely to underestimate the growing opposition to bureaucracy among all classes of the community. The labor leader's outcry against the WLB and the higher-ups in the administration is only one of a kind and a voice in a swelling national chorus. Surely "social planning" has not too many friends in the America of 1944 to afford the luxury of throwing labor back to the Portland declaration against "bureaucracy" by the convention of the A.F. of L. in 1923.

Yet the labor leader, too, has shown serious blind spots. He knows the mind of organized labor and, on the whole, also the mind of the employer with whom he bargains and engages in an occasional tug of war. He does not, however, know the middle classes—the farmers, the white-collar group, the struggling retailer. Thus he rarely encounters at first hand the deeply rooted American philosophy of "antimonopoly."

In the early thirties, when labor had been quiescent and big business in undisputed control, the antimonopoly mind had chosen Wall Street for its bête noire. More recently, however, with the gigantic advances of the labor movement, the antimonopoly mind has been seeing in trade-unionism the same menacing gigantism of economic power as the earlier massing of the power of capital. High dues and startling initiation fees in some unions have furnished the enemies of unionism with telling antimonopoly ammunition. These critics have not, of course, understood, or have not wished to understand, that unions need a stable, not an ephemeral, membership and that labor thinks of unemployment as always just around the corner.

Furthermore, the union leader, bent on raising wage rates so that his constituents might see the tangible fruit of his leadership, misses the effect of his achievement on the white-collar people, worried over the rising cost of living, and on the small employer watching his profit margin. Add to that the Works Progress Administration (WPA) wages and war-industry wages—both influenced by union pressure—lifting the wages of farm labor and of small-town plant labor; and, worst of all, the Teamsters' Union's reaching out to unionize the inside employees of a farmers' cooperative creamery—with all this, the middle-class reaction becomes a veritable mine, set to explode under the labor movement. And this is wholly independent of whether or not the economic or

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statistical expert has succeeded in infecting the public with his own fear of a runaway inflation.

The postwar industrial relations picture will depend on how much the three principal groups—management, labor, government—have achieved by way of mutual understanding and in willingness to give and take, and above all on how much progress has been made in the art of approximating “full employment.” A not insignificant factor will be the degree to which the leaders of business have come to fear “demagogic fascism,” with a readiness to act accordingly.

CHAPTER III

WHAT ROAD IS FORWARD IN SOCIAL SECURITY?

ELIZABETH BRANDEIS

Further extension of social security is a prominent feature of every postwar program for the world in general and the United States in particular. In fact it ranks almost as a war aim, for it is mentioned in the Atlantic Charter and generally accepted as the chief means of achieving Freedom from Want. Moreover it is regarded as a practical program, as a down-to-earth method of translating general ideals into concrete reality.

The elevation of social security to a place of such prominence may be rather breath-taking to some Americans, for social security both as an idea and as a system is very new in this country. Twenty years ago, old age, health, and unemployment insurance were wholly European institutions. Mother's pensions and workmen's accident compensation were the only social security programs we had in the United States. In the year 1923 only 63 million dollars was spent by all levels of government for all forms of "public aid"—a term more inclusive than the usual definitions of social security. This sum constituted well under 1 per cent of total governmental expenditures. In contrast, 1940, with our economy already stimulated by war production, saw 4.5 billion dollars spent for public aid—or over one-fourth of all governmental expenditure, Federal, state, and local.¹ What is the cause of this phenomenal growth?

Social security, broadly defined, means governmental maintenance of income for the individual, or social provision of a substitute income when the income normally earned by the individual fails. As such, it lies in a sense halfway between individualism and socialism. It assumes a world of private enterprise in which the

¹ See National Resources Planning Board, *Security Work and Relief Policies*, 1942, pp. 7, 8, 291, 322. These figures exclude accident compensation payment made by private insurance companies in both years.

individual maintains himself, but at the same time it sets up a social institution to maintain him whenever for any reason his individual efforts fail. Social security programs are a major instrumentality of the new social-service state.

In a sense, the movement for social security is an expansion of nineteenth century humanitarianism, with government rather than church or private philanthropy acting as society's agent to care for the unfortunate. But it is much more than that. For it assumes that a large part of the population will need and should have this kind of help from society—that resort to such care will be more nearly the rule than the exception. This assumption reflects the era in which the social security movement developed, the period between the wars, when the economic system of the Western world broke down so badly that many began to doubt whether it would ever get going again. Whatever the causes of that breakdown, it created an almost pathological desire for security. People lost faith in their ability as individuals to cope with their own problems and manage their own affairs. Despairing of opportunities to rise or even to maintain themselves, they turned to government for assurance that they would not fall too far.

In Europe, perhaps, this pessimism and this readiness to rely on government were nothing very new. In America the psychological change was startling. It began after the crash of 1929. We had had depressions before, just as long and probably just as severe. But we had regarded them merely as interludes, and we had borne the suffering as temporary and relieved it on an emergency basis. Never before had a depression been called the "end of an era," nor had the possible return of prosperity been feared as merely the forerunner of another crash. Economists can argue whether or not 1929 was really "different." At all events the reaction of the American public was different. There developed in the thirties a widespread longing for security—even if necessary at the sacrifice of opportunity. So there is no doubt that social security was wholeheartedly accepted in this country because it met a prevalent demand.

But there is a further reason why social security assumed such importance in the thirties and why it is given a stellar role in all postwar programs. During the depression we discovered for the first time in this country how to take care of millions of our people through various systems of government benefit payments. On the whole the job was decently and efficiently done. We found

that it was possible to provide for an amazingly large proportion of our people in this way. And, perhaps more significant, we found it much easier to do this than to furnish them an opportunity to provide for themselves. So it is small wonder that most of us favor bigger and more widely distributed government benefits for the postwar period, that we look forward to using social security increasingly, even though we must realize that much of it resembles a drug that deadens pain rather than one that effects any genuine cure.

ORIGINS OF SOCIAL SECURITY AND PRESENT EXTENT

As a prelude to any attempt to evaluate patterns for the postwar extension of social security, it may help to take a brief backward glance at its origins and to sketch in cursory fashion our existing system.

Considering only the American background, we find in the nineteenth century general acceptance of the ultimate responsibility of the local community to provide for the indigent. Those completely without resources received either "outdoor relief" or institutional care in orphan asylums, poorhouses, or old people's homes. Though the level of living provided was extremely low, the American community did recognize its responsibility to maintain its "down and outers," if church or private philanthropy failed to do so.

Broadly speaking, modern social security began shortly after 1900, when better kinds of public aid began to be offered to special groups, before they reached the pauper level. One of the first groups to receive such help were widows left with young children. Mothers' pension laws came from a realization of the inhumanity and folly of taking children from their mothers and raising them in asylums, just because they had lost the fathers who would normally have supported them. The first mothers' pension law was passed in Missouri in 1911. Within a decade 40 states had acted. Under these laws the local community paid the pension out of local tax funds, with the state sometimes providing part of the money. Though the pensions were meager, a start had been made in social action to provide a substitute income and preserve normal family living when the breadwinner was lost. Mothers' pensions were paid on a "needs basis." That is, each case was examined individually to see whether the widow (or deserted wife) had any other source of income; or whether, without the pension,

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she would be forced to choose between neglecting her children while attempting to support them, or putting them in an institution.

A second social security program also had its beginning in 1911; for special provision was first made in that year for another group who had lost their normal income. In 1911 ten states passed workmen's accident compensation laws, which required employers to provide weekly cash benefits plus medical care for their workers, if injured in the course of their employment. It is interesting to consider (1), why this group was singled out for special treatment and given compensation as a matter of right (regardless of individual financial condition), and (2), why their employers, rather than the general community, were required to assume this responsibility. Apparently, it was felt that loss of income due to industrial accidents deserved treatment different from other loss of income. Perhaps the explanation lies in the status of industrial accidents at common law.

Under the principles of employers' liability as developed in the nineteenth century, injured workers could sue their employers and recover damages if they could prove negligence and if they could controvert certain employer defenses—the famous rules of "fellow servant," "contributory negligence," and "assumption of risk." The result was to award generous damages to some injured workers while reducing others to pauperism and the poorhouse. The legal subtleties that drew the line between the two groups were incomprehensible to the general public and no doubt contributed to the growing dissatisfaction with the situation. At all events after the turn of the century the responsibility of employers for all their employees injured while at work came to be increasingly accepted—even by employers themselves.

As a result, beginning in 1911, laws were passed in most states which provided accident compensation as a matter of right. It should be noted that under these laws the public's responsibility was limited. Government merely specified the payments that must be made to injured workers and required employers to do the financing. It soon became clear, however, that if workers were actually to receive the payments due them, government must also require employers to carry some kind of insurance for the purpose. In determining how much these injured workers should receive, a principle was followed, very different from that adopted in mothers' pension laws. Instead of providing an amount based on the needs shown in a particular case, workmen's

compensation used the previous earnings of the injured worker as a basis for the weekly benefit. One-half (later two-thirds) of the previous wage became the common formula.

Thus 1911 saw the beginning of two social security programs, though neither was called by that name and probably no one realized that they were in any way similar. Between them they have provided patterns for much of our subsequent social security legislation. Mothers' pensions were paid on a needs basis, workmen's compensation as a matter of right, the amount determined by the size of previous earnings. Mothers' pensions were financed from general taxation; workmen's compensation by special contributions (to insurance companies or state insurance funds) made by that economic group which the public held responsible for this interruption to earnings. Probably the difference in the remedy provided was due to recognition of a basic difference in the cause. Widows (unless their husbands were killed in industrial accidents) needed a socially provided income for a reason seen to be personal, injured workmen for a reason recognized as industrial.

The twenties saw the slow growth of security programs for other groups. In that decade 10 states passed old-age-pension laws—pensions to be paid on the basis of need. Pensions were urged as more humane and no more expensive than maintenance in old people's homes. That many more would claim pensions than had taken refuge in such institutions was perhaps not fully recognized. Meanwhile, more adequate retirement allowances paid as a matter of right began to be provided for special groups such as teachers and government employees. Private pension plans financed and administered by industry also began to appear. More adequate provision for the aged became a growing political demand. The Townsend movement which demanded a Federal pension of \$200 a month for all old people as a matter of right developed an amazing political momentum. No doubt, increasing urbanization, smaller families, and industry's growing reluctance to use or retain older employees combined to increase the old-age problem and the need for government action. But the ease with which old people could be organized into an aggressive pressure group to push their demands was a startling discovery.

The Social Security Act of 1935 brought comprehensive old-age security through a two-part program. One-half is a national old-age-insurance system under which workers and employers contribute equally, and workers receive benefits as a matter of

earned right after reaching age 65. The amount of the benefit is calculated by a formula based to some extent on previous earnings. The other half is old-age assistance, *i.e.*, state old-age pensions with the Federal government now paying half the cost. This program takes care of those who fail to qualify for old-age insurance. Pensions continue to be paid only to those who can show "need." The Social Security Act also provided Federal aid for state mothers' pensions—now called "aid to dependent children." Further, by amendment in 1939, the act initiated a program to provide substitute income for widows and children as a matter of right. This is called "survivors' insurance," and it applies to the families of men covered by the Federal old-age-insurance system. Benefits vary with the earnings of the insured.

In the twenties and thirties the American social security program expanded in other respects. Accident compensation spread until every state but one had a law. Existing laws were liberalized; today in 28 states and 6 other jurisdictions occupational disease is compensated as well as accidents. Beginning in 1932 the great volume of depressional unemployment led to the rapid development of a variety of programs to provide substitute income for the unemployed. This substitute income was offered in various forms: (1) as general relief paid on a needs basis, (2) through sundry work programs, some using a needs basis, some not, and (3) as unemployment compensation paid as a matter of right. Relief was operated by the Federal government for a relatively brief period and then returned to state and local units. Most of the work programs, Civil Works Administration (CWA), Works Progress Administration (WPA), etc., were largely Federal.

Unemployment compensation began in a single state, Wisconsin, in 1932. Passage of the Federal Social Security Act in 1935 led to the rapid spread of state unemployment compensation; for its Title IX was designed to accomplish this purpose. It levied a 3 per cent pay-roll tax on employers, 90 per cent of which could be offset by contributions made by the employer under an approved state unemployment compensation law. The remaining 10 per cent (or $\frac{3}{10}$ per cent on pay roll) was supposed to be roughly equivalent to the cost of administering unemployment compensation which the Federal government was to finance by means of grants in aid to the states.¹ Certain standards were contained

¹ In fact Congress has never appropriated as much as the full $\frac{3}{10}$ per cent for this purpose and thus the Federal unemployment tax has yielded a substantial amount for general revenue.

in the Federal act as to the kind of state law that would entitle employers to the tax offset and the kind of administration that would entitle the state to the administrative grant.

Thus the Social Security Act of 1935 set up a national old-age-insurance system and, in addition, offered effective inducements to the states to pass or liberalize old-age pension, mothers' pension, and unemployment compensation laws. Only protection against nonindustrial illness remained conspicuously lacking. In Europe health insurance had spread rapidly. But in the United States it made no headway at all. At first, it was opposed by labor as well as employers; later organized labor came to favor it, but organized medicine became a vigorous opponent. The medical societies decided that health insurance would bring too much government regulation to their profession. Their opposition prevented its inclusion in any form in the Social Security Act of 1935 and has prevented almost all attempts at action, state or Federal, up to the present. So far only Rhode Island has made a start, by providing cash benefits in case of sickness out of employee contributions formerly used to help finance unemployment compensation.

So the American social security system stands at present. Despite the tremendous growth of the last 9 years it is still obviously incomplete. Most of its programs are inadequate in one way or another—in the level or the duration of the benefits they provide, or in the extent to which they cover all those who might expect to receive their protection. Where special types of socially provided income are lacking, the individual is still left with resort only to general relief—which is notoriously inadequate in some parts of the country.

TWO THEORIES OF SOCIAL SECURITY

The extension of social security in the United States, as well as elsewhere, is a postwar aim on which virtually all shades of opinion can agree. But on the amount and more especially the character of that extension there is plenty of room for argument. For it is by no means self-evident what road is forward in social security. Where can we find a map that will help us to the right road?

Such a map must be based on a theory of social security, a decision as to the role social security should play in the postwar political and economic order. In the political realm we all share a deep desire to preserve and strengthen the democratic character

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of our government. In the economic realm most of us accept, if we do not seek, a "mixed" system or a partnership between government and private enterprise in operating the economy. Further, we can all agree that social security, because of its size and its nature, is bound to be an important factor in determining the character of our government, especially its relation to its partner, private enterprise.

On these common assumptions have been built, it seems to me, two fundamentally different theories of social security, two different concepts of the role it can and should play. To distinguish between these theories I shall use two terms not commonly found in discussions of this subject. The first I shall call the distributional approach to social security; the second, the functional approach.

The Distributional Approach.

The distributional approach is rather simple and clear-cut in its view of the economic world and the role of a social security system. It sees a mixed economy as made up of two parts: the one operated by private enterprise, the other by government. According to this view government's chief job is to do the things that private enterprise for one reason or another fails to do. It must *supplement* private activity wherever such supplementing is needed. Of course, government should also *regulate* the private segment of the economy. But that is seen as nothing new or especially important. Government has been regulating private enterprise for a long time now and with indifferent success. Private enterprise seems to be governed by the rules of its own nature and probably cannot be changed very much by government action. So we ought not expect too much from government regulation but must in future rely more on government supplementation. Government should be used to fill the gaps that private enterprise leaves.

Here is where social security comes in. Socially provided income is needed to fill a very big gap. For a variety of reasons, many people fail to receive regular income from private enterprise. When privately provided income fails, governmentally provided income should be available. This substitute income will be derived from taxes (or government borrowing). In other words, social security is simply government action to effect a redistribution of income. Government takes as much of the national income as is needed for this purpose and distributes it so as to provide a minimum income for all.

The criteria of a social security system, then, are its success in reaching everyone who needs socially provided income and the adequacy of the substitute income it provides. The source of the funds it uses are not really its problem, but a problem in taxation, or perhaps in fiscal policy. I have called this the distributional approach to social security because it sees social security as little beyond a mechanism for redistributing part of the national income.

The Functional Approach.

In contrast to the distributional approach stands the functional approach to social security. It is less simple and clear-cut, because it sees social security with a far more complex role to play. To begin with, the functional approach sees government *regulation* in a mixed system as just as important as government *supplementation*. Moreover, it sees the two functions as inextricably intertwined. When government supplements private enterprise in one way or another, it is bound to have a regulatory effect—for good or for ill. Thus, to cite a very obvious example, the Tennessee Valley Authority (TVA) “regulates” the price of electricity sold by private power companies as surely as does rate fixing by public service commissions. The functional approach also sees that government regulation of private enterprise is of two kinds. It can be negative—merely seeking to repress antisocial conduct in private business. Or it can be positive, promoting and inducing the operation of private enterprise in the social interest.

So much for the general role of government in a mixed system. Social security will constitute a big segment of that role in the future and is bound to operate powerfully, not only to supplement private enterprise but to regulate it as well. A program, so large in money spent and so vitally affecting so many people, cannot be divorced from the government or the economy of which it is inevitably a part. Rather it must be integrated into our political and economic order. It must be geared correctly into a going mechanism. In other words, we must be sure that it constitutes the kind of government and the kind of regulation of private enterprise we want.

So far as government is concerned, that means it must be shaped and run democratically. This may seem a point too obvious to be worth laboring. But it is relevant to such questions as the current controversy over whether or not social security should be completely nationalized. Perhaps both as legislation and as administration, much of social security should stay on the state

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level in the interest of truly democratic government. Administration on a national basis is especially difficult. Back of all the cant phrases about bureaucracy lies a very fundamental problem. Administration is a newcomer as a branch of government. Over a long period we learned how to perform legislative, executive, and judicial functions *democratically*. Techniques for the democratization of administration are by no means fully developed. In building our social security system, one of our largest administrative undertakings, we must take pains to use such techniques of democratic operation as are known and to continue our search for new ones. It seems fairly clear that state-sized units can use these techniques more readily.

As for social security as *regulation* of private enterprise, the functional approach assumes that good regulation in this field will be positive as well as negative. Specifically, many social security programs (though obviously not all) can and should be so devised that they will create maximum effort to reduce the economic risks that make these programs necessary. For obviously a chance to earn income by functioning as an active member of the economy is better than socially provided income, however generous. So the functional approach gives social security two objectives: to fill a gap left by private enterprise and, wherever possible, to help reduce the size of the gap. It follows that social security programs must be differentiated on the basis of the risk against which each is directed. Sickness and unemployment, for example, are two very different risks; methods of preventing them are entirely different. All this makes for a complicated, pluralistic social security system, rather than the single, all-embracing system which the distributional approach suggests.

What do these general theories mean when translated into concrete social security systems? Can one tell the distributional and the functional theory apart in actual programs for collecting money and paying out benefits? I believe one can.

THE BEVERIDGE PLAN EXEMPLIFIES THE DISTRIBUTIONAL APPROACH

The Beveridge plan represents the distributional theory of social security. A friendly critic, Eveline Burns, has pointed out that "the Plan is fundamentally a redistribution of income both within and between social classes."¹ Sir William Beveridge has also stated it rather explicitly. He calls "abolition of want"

¹ BURNS, EVELINE: The Beveridge Report, *American Economic Review*, September, 1943, p. 530.

after the war the aim of his "Plan for Social Security" and declares that it can be achieved "by a double redistribution of income through social insurance and childrens' allowances" (the latter to supplement the earnings of employed workers).¹

The Beveridge plan calls for a unified and uniform social security system. Those whose private incomes fail are all to be entitled to the same benefits, without regard to the reason for that failure or to any differences in previous earnings. Benefits are to vary only with the size of the family receiving them, *i.e.*, with presumed difference in needs. This is entirely logical according to the distributional theory, with its single aim to provide a subsistence minimum as a substitute income for all who fail temporarily or permanently to earn an income in the privately operated segment of the mixed system. With minor exceptions, all benefits are made uniform in amount (varying only with sex and age) and unlimited in duration, *i.e.*, they are to last as long as private income is lacking. Complementing the benefit program, children's allowances offer socially provided income for all children beyond the first in the family, even while private income is being earned.

The costs of the program are to be distributed as widely as possible, roughly half to come from general taxes, the other half from employer and employee contributions, each making a single contribution to cover all social security programs. Workers are to contribute at a uniform rate, their contributions to vary only with their age and sex. Employers also are to contribute at a uniform rate, based on the number, age, and sex of their employees. There will be no variation in contributions of workers on the basis of their earnings, or of employers on the basis of the risks in their different industries or plants. In short, the contributions from employers and workers are merely a convenient form of tax, a survival of an earlier method of financing, or at most a way to make both groups realize that they are helping finance the social security system. (It may be noted that the failure to base the worker's contribution on his earnings obviously makes his contribution a definitely regressive tax and subject to criticism as such.)

In contrast to American experience of the last decade and to most American programs for the future, the Beveridge plan relies almost entirely on one kind of socially provided income, namely, social insurance, or cash benefits paid as a matter of right. The two other alternatives—public assistance paid on a needs basis or wages

¹ *Beveridge Report*, p. 8, American ed., New York (Macmillan), 1942.

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paid for public work—are virtually disregarded, though it is admitted that a small amount of assistance on a needs basis may be unavoidable to provide for those who cannot be covered by social insurance. Finally, comprehensive social insurance is to be supplemented under the Beveridge plan by a complete and unlimited system of public medicine.

Uniformity as the keynote of a social security system is far more possible in Great Britain than it would be in the United States. Great Britain is a small country and relatively homogeneous. Therefore a national system paying uniform benefits is much more suitable there than it would be here. But basically the uniformity, simplicity, and universality of the Beveridge plan reflect the distributional approach to social security, which sees it with just one job to do—income maintenance. Social security should hew to that line, let the chips fall where they may. It is noteworthy that the plan virtually ignores industry or private enterprise. According to Sir William, "Social security must be achieved by cooperation between the state and the individual."¹ Cooperation with industry is scarcely mentioned. Industry and social security have no responsibilities toward each other. They constitute separate worlds. Sir William, I believe, sees social security as the outgrowth or modern counterpart of the Elizabethan poor law, better administered and far more humane, but equally divorced from the going economic system.²

Of course, Sir William recognizes that his plan is not all that is needed for postwar Great Britain. The government must act in many other ways to secure "full employment," for example, by promoting export trade and industry generally. There is considerable question, however, whether or not he regards full employment as necessary to the successful operation of his social security program.³ At all events, he does not attempt to integrate the two or to appraise his social security proposals in the light of their effect on the functioning of private enterprise.

¹ *Beveridge Report*, p. 6.

² Significantly he does not regard the British workmen's compensation law as a forerunner of their present social security system, or as in any way a model for the future. Rather, his plan contemplates merging compensation for accidents into his unified system, with extra payments by employers in extra-hazardous industries as a vestigial remnant of limited employer responsibility in this one field.

³ BURNS, EVELINE: The Beveridge Report, *American Economic Review*, September, 1943, pp. 526-528.

FUNCTIONAL ELEMENTS IN AMERICAN SOCIAL SECURITY PROGRAMS

Regardless of the merits of the Beveridge plan, everyone, I believe, recognizes that it would not fit the American scene. I have discussed it only because it so clearly exemplifies one approach to social security. Existing programs in the United States and most American proposals for the future are far less clear-cut in their philosophy or its application. On the whole I believe we have been closer to the functional approach and I hope we shall continue to follow that line.

Programs Vary with the Nature of the Risk.

One functional element in the American social security system has been the different treatment accorded to different causes of insecurity, *i.e.*, to the different reasons for social provision of income. As noted above, mothers' pensions and workmen's accident compensation, our first social security programs, represented two very different ways of providing substitute income when private income failed. They typify, I believe, the two categories into which social security programs can properly be divided.

The causes of insecurity, or the reasons for resort to socially provided income, fall into two general classes: (1) industrial reasons —*i.e.*, reasons connected with employment and (2) personal or nonindustrial reasons, *i.e.*, reasons not connected with employment. The first class, rather obviously, apply only to wage earners and would-be wage earners who, incidentally, now constitute at least four-fifths of the gainfully employed in our country. In this category of industrial hazards belong unemployment, industrial accidents, and industrial (or occupational) disease, whether fatal or nonfatal. In addition, there is another industrial hazard that goes largely unrecognized. It may be called premature or industrial old age and arises from the growing reluctance of employers to hire or retain older workers. Though temporarily obscured by the war, this is a serious problem created by the speed-up in industry which has made an increasing number of workers "too old at forty." Industrial old age should be recognized as distinct from physical old age—though to be sure the line between them is not always clear.

The second class, personal reasons for needing socially provided income, apply to the self-employed as well as to wage earners. This class includes nonindustrial accidents and disease, physical

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old age, and death. In addition we might mention less definite mental and psychological causes of unemployability.

Whether or not we have always been conscious of the inherent difference between these two categories, we have on the whole treated them differently. Personal causes of insecurity have mostly been treated through programs stemming from poor relief—representing a recognition of society's obligation and responsibility. Industrial causes have been treated through programs that were regarded as a branch of labor legislation. They represented recognition of an enlarged responsibility and obligation of the employer. This accounts for the fundamental differences in method of financing and in the basis on which benefit amounts were calculated and the rights to benefits were determined. In brief, society's obligation was to the needy in proportion to their need. The employer's obligation was to his employes who, when unable to work for a reason connected with employment, were entitled as an earned right to substitute income in proportion to their previous earnings.

Programs Have Grown Piecemeal.

In another respect the growth of social security in the United States has been functional in character. It has grown as and where needs were felt and translated into political action. Development has come step by step and state by state. Moreover programs have varied widely, as many experiments were tried and some abandoned. Of course, the severity of the depression immensely intensified need and accelerated the tempo of growth. Some of the resulting emergency programs were short lived, such as the Federal Emergency Relief Administration (FERA). Others like WPA continued even into the war boom. Passage of the Social Security Act in 1935 was evidence of widespread recognition that much need would be permanent. In turn, this Federal law exerted a powerful pressure on the states to take action.

The wide diversity in the programs set up during the thirties has been attacked as evidence of lack of coherence or consistency in social planning. It can be defended, at least in part, as attempts (no doubt imperfect) to meet varying needs with appropriately varying remedies. Proponents of a distributional approach to social security have been greatly concerned because relief payments, especially in some states, were so far below unemployment compensation benefits or WPA wages. From the functional point of

view such differences were necessary and desirable. If social security is to function as part of a going economic system, not as an isolated refuge from that system, payments for work or benefits that constitute an earned right should be higher than relief payments.

Similarly from the distributional point of view, the wide difference between social security payments in the North and in the South are highly objectionable. However, it is noteworthy that this variation in security payments correlates closely with the variation in per capita income and per capita wealth in different parts of the country. From the functional point of view we cannot afford to destroy this correlation. So long as we use private enterprise as a part of our mixed system, we cannot afford to destroy its basic motivations. Socially provided income must bear a relation to prevailing earnings. It cannot rise above them.

From the functional point of view, it is noteworthy that our social security system has been steadily improved. Each legislative year has brought small, state by state and step by step, gains in coverage, liberality of benefits, etc. Thus, though most of our accident compensation laws were passed more than 20 years ago, it is reported for 1943 that "of the 44 legislatures which met in regular session 39 materially strengthened their laws."¹ Unemployment compensation statutes have been similarly amended over the much shorter period that they have been in the books. In a functional approach, progress is the aim rather than perfection.

Industrial Hazards and How They Have Been Met—Accidents and Occupational Disease.

As noted above, American social security is functional, in that it has distinguished rather sharply between industrial and personal hazards. For the development of a distinctive type of program to meet hazards that are clearly industrial, much credit should go to one man, Prof. John R. Commons. At the University of Wisconsin, Prof. Commons did not merely pioneer in teaching courses in labor and labor legislation. Long before the term social security was used, he worked out a philosophy of social security in both its political and its economic aspects, translated this philosophy into concrete statutory form, and played a large part in setting the pattern for its administration. His achievements were greatly facilitated by the progressive political movement in the state and

¹ *Monthly Labor Review*, September, 1943, p. 543.

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by progressive state labor leaders. It chanced that the officers of the state federation of labor in those years were labor statesmen, far ahead of labor officialdom elsewhere in their understanding of what social insurance might do for wage earners and how it should be shaped to serve its purposes.

In 1911, Prof. Commons drafted the measure that set up the Wisconsin Industrial Commission to administer all the state's labor laws, including the new workmen's accident compensation act. He also drafted a new safety statute which contained only broad general standards to be translated by the commission into detailed safety codes. Prof. Commons was one of the three original members of the new commission. He took a functional view of accident compensation. He saw that this arrangement for providing substitute income for all injured workers could operate as a powerful regulatory force to promote the operation of industry in a way to prevent accidents. He pointed out that employers had been given a direct financial interest in accident prevention, since their compensation insurance premiums would depend on their accident rates. So he succeeded in enlisting their aid in the commission's safety program.

Through representatives on an "advisory committee on safety and sanitation standards" employers participated in drafting "practicable" safety rules. Since labor also had representation on this and all subsequent advisory committees, the safety orders were built up democratically through the participation of the economic groups directly concerned. Employers became safety-minded for two reasons: because the workmen's compensation law gave them a clear-cut financial incentive to prevent accidents and because the Industrial Commission took pains to secure their interest and cooperation. Thus the first social security program directed against a distinctly industrial hazard was integrated with a democratic form of "law making" and geared into the going economy. It not only afforded a socially provided income for injured workers and their families. It also constituted good regulation because it harnessed the profit motive to the social purpose of preventing accidents.

This approach was adopted in accident compensation elsewhere insofar as compensation insurance premiums were generally related to accident risk. Its potency was limited in many states, however, through failure to integrate accident compensation and safety administration or to secure full cooperation by employer and labor groups. John B. Andrews, a student of Prof. Commons and for

most of his life secretary of the American Association for Labor Legislation, did much to promote this integrated program throughout the country. Like Prof. Commons, he recognized that benefits, however generous, are always inferior to work and wages and that, wherever possible, a compensation program should have as one of its objectives prevention of the need for compensation.

To be sure industrial accidents were not eliminated. With modern technology and speed-up, some accidents may well be unavoidable. Even so, the financing of accident compensation through employer contributions that vary with their accident rates has served and continues to serve a clear social purpose. For it so allocates the cost of this social security program that it can be reflected in prices. For example, coal mining may always remain a relatively hazardous occupation. If so, compensation for injured coal miners is properly a part of the cost of coal. We should pay for it when we buy coal, not when we pay taxes or buy something entirely different. For only then can we know the true cost of coal and whether or not some other fuel may be cheaper.

As a further example of the functional approach to social security, we can cite the treatment of occupational disease as an industrial hazard. Gradually in state after state, some or all of the occupational diseases have been included under workmen's compensation. In many cases this has brought definite reduction in the amount of disease. The effect on silicosis has been particularly marked. The pressure of compensation costs is especially strong where silicosis is concerned; for this disease is incurable and may cause permanent disability and very large compensation costs. To cite Wisconsin as an example, in the peak year 1934 there were 321 silicosis compensation claims. Insurance companies became alarmed and set high premium rates wherever danger of the disease existed. As a result, wherever silica dust was prevalent, plant housekeeping was immensely stimulated. In many instances expensive machines to eliminate dust were installed. The effect is very obvious. In 1943, only 9 silicosis claims were filed and some of these related to silicosis contracted years ago.¹ The Wisconsin Industrial Commission regards the silicosis problem as virtually solved.

Industrial Hazards and How They Have Been Met—Unemployment.

We have one more social security program which recognizes the industrial nature of the hazard with which it is concerned. Here

¹ Figures given in Wisconsin Industrial Commission, *Workmen's Compensation Statistics*.

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again the definite direction, I believe, was given by Prof. Commons, over 20 years ago. Fortunately organized labor in Wisconsin shared his views, saw unemployment as an industrial hazard, and sought compensation for it patterned on accident compensation. Although organized labor elsewhere was still opposed to unemployment compensation, organized labor in Wisconsin demanded a program that would give employers the same incentive to provide steady jobs that accident compensation gave them to provide safe jobs. In 1921, with organized labor's backing, Prof. Commons drafted the first unemployment insurance bill seriously considered in the United States. This bill provided for employer financing, with contribution rates reflecting the regularity or irregularity of the employment provided. For 10 years a bill along these lines was introduced in each legislative session.

Thus a long educational campaign—as well as the depression—preceded the enactment of the Wisconsin Unemployment Compensation Law in 1932. The new law provided for individual employer reserves deposited in a state fund, instead of insurance through private insurance companies as in accident compensation. But this was merely a different method of accomplishing essentially the same result, namely, to put the cost of the security program on employers, varying their payments on the basis of their individual performance. Today such rate variation, whether combined with employer reserves or a pooled insurance fund, is known as "experience rating."

As the pioneer American unemployment compensation law, the Wisconsin act was probably important in setting a pattern for the United States. Its essential features—in contrast to European unemployment insurance—were financing by employers only, experience rating, and benefits based on the previous earnings of the unemployed. Under the Social Security Act of 1935 the states were permitted to require employee contributions, to have all employers contribute at a uniform rate, and to determine benefits in other ways. But on the whole the original pattern has prevailed. Only four states now provide employee contributions; only eight lack provision for experience rating, and all relate benefit amounts to previous earnings.

It should be noted that in the United States unemployment compensation has never been urged as complete protection for the unemployed. It was in fact preceded by two other extensive programs, relief and public work. There is rather general agree-

ment that both should continue to supplement unemployment compensation in the future.

So much for American programs to meet the distinctively industrial hazards. So far no special program has been set up for the final industrial hazard listed above—premature or industrial old age. Its victims have had to fall back on the residual program of general relief.

Personal Hazards and How They Have Been Met.

We turn briefly to the development of programs to meet personal hazards. Here mothers' pensions provided the first pattern; old-age pensions and aid to the blind have followed similar lines. These programs stem from poor relief and use the "needs" basis, though the test of need has recently become far less rigorous. Old-age and survivors' insurance is a more recent method of providing against the personal hazards of old age and death. This program is financed jointly by employers and workers. Moreover it differs from the older pension plans because benefits are paid as an earned right and are based, in part at least, on previous earnings. This may seem a blurring of lines of responsibility, resulting in a cross between two kinds of social security program. Functionally considered, however, there is good reason to require workers to contribute to protect themselves against personal hazards. And obviously, if they contribute, they have earned a right to benefits, and the needs basis is abandoned.

Employer contributions to such a program are perhaps more difficult to justify. However, in any compulsory program worker contributions should clearly be supplemented from some other source. Otherwise compulsion can scarcely be justified. A tax on employers based on pay roll is a convenient way of accomplishing this supplementation. Moreover, it has been a common practice in private pension plans for the employer to match what the employees put into the fund. Finally, it may be argued that the employer should accept some responsibility for maintaining his employees in their old age and their families in case of death, even if he can in no way control the hazards involved. Security programs to protect against personal hazards can and should for the most part abandon the old needs basis, when they come to be general in their application. Joint contributions by workers and employers then become an entirely appropriate, though by no means

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the only appropriate, method of financing. Part of the financing might well come from general taxes.

A FUNCTIONAL PATTERN FOR POSTWAR DEVELOPMENT

I have pointed out certain functional elements in our social security system as it stands today. In its further extension for the postwar period how can its functional character be preserved and strengthened?

One negative statement seems important. The immediate needs of the reconversion period should not determine the shape of a permanent social security program. The reabsorption into peacetime industry of the millions now in the armed services and in war production will create a situation calling for large government action. But this situation will be in essence of a temporary nature. Neither the methods nor the agencies appropriate for handling it are those necessarily best suited for the long haul. I believe we should distinguish sharply between the long-run and the short-run problem. We should not allow temporary needs to distort our permanent social security program.

As for positive steps, what road leads forward? Not, I believe, the road to a unified national social security system with all costs pooled and all hazards treated alike. Rather, the different hazards should continue to be kept separate and treated differently. And the funds should be kept separate too, because they should continue to be raised in different ways. For reasons already indicated, employer financing should continue to be used so far as possible in programs dealing with industrial hazards.

Further, the program should not be completely nationalized, as is advocated in many quarters today. Many parts of it should be left largely or entirely in state hands, in order to permit experimentation and adaptation to different conditions, and to facilitate the democratic development of such programs through the active participation of the interested groups. A step-by-step advance should be continued, rather than any attempt to impose uniform and complete cradle-to-grave security on all parts of our large and diversified country.

Do any of the current official proposals embody this functional approach? The mammoth report of the National Resources Planning Board (NRPB) on *Security Work and Relief Policies* has its recommendations; the Social Security Board's *Annual Report* for 1943 sets forth its program rather briefly. More definite and

detailed than either of these is the Wagner-Murray-Dingell bill introduced in Congress in May, 1943. This bill constitutes a comprehensive national social security program which is supported by both the American Federation of Labor (A.F. of L.) and the Congress of Industrial Organizations (C.I.O.). No one of these proposals is very clear-cut in its philosophy. They all seek extension of social security, more or less regardless. None of them follows the completely distributional approach of the Beveridge plan. But there seems considerable danger that adoption of any one of them would seriously weaken the functional elements in our present social security system. Instead of criticizing these official proposals, I shall attempt to sketch a program for extending social security which would follow functional lines. In the spirit of that approach I shall take up the various hazards one by one.

Provision against Sickness.

We may start with nonindustrial sickness (and accidents), since everyone agrees that this is the biggest gap in social security protection today. A social security program for sickness is one of the most complicated to plan because, in addition to the payment of cash benefits, it involves the rendering of highly personal services by the members of various skilled professions. Unfortunately these professions have long maintained an attitude of opposition to sickness (or health) insurance, even going so far as to fight private, voluntary prepayment medical plans. There are some signs that this opposition is beginning to break down under the impact of the war and mounting evidence that the remarkable fruits of medical advance in this country have not in fact been available to a large proportion of the American population. Still the fear of government regimentation haunts the doctors. Even in the postwar years their political power (very great, despite their small numbers) may still block the extension of social security to this field, both in Congress and in state legislatures.

What is the most hopeful first step? The Beveridge plan, building on 30 years of British experience, calls for unlimited cash benefits during the breadwinner's illness plus complete public medical and hospital care for everyone. No one can question the desirability of offering unlimited medical care to all. It is obviously in the social interest to prevent illness as far as possible and to cure it as fast as possible. Very possibly the doctors as well as the general public in Great Britain are ready for a complete program.

But in the United States the question seems rather: how to begin? As any program, however limited, must be financed, the first question may be: how should the money be raised? Since illness (other than occupational disease) is a personal not an industrial hazard, there is no compelling reason for allocating the cost to individual employers. On the other hand, as discussed above in connection with old age, it is doubtful social policy to require the workers to carry the full cost of any kind of compulsory insurance. Employers or the state should help foot the bill. As for benefits, in a complete program they must be of two kinds: medical care and cash disability compensation. The latter as an "earned right" should, like other kinds of compensation, be figured as a percentage of wages.

Rhode Island has already begun a pioneer experiment in disability compensation. It is financed entirely from an employee contribution of 1 per cent on wages and is administered by the state unemployment compensation agency. No medical care is provided. This is an experiment to be watched with interest. By starting with cash compensation only, it avoids problems as to methods of providing medical services. But compensation without medical care creates certain difficulties of its own. For example, how should workers be certified as sick and unable to work? Such certification is a necessary basis for the payment of cash benefits. Should it be left to private physicians or done by state salaried doctors? And what if the sick worker is unable to pay for medical care? Should he continue to draw compensation when his disability continues for lack of that care? There is also the doubt suggested above, whether wage earners should bear the full cost of this compensation as they are now doing in Rhode Island.

It is to be hoped that some other state will soon attempt some other experiment. For example, if we study voluntary action in this general field, we find an amazingly rapid growth of hospitalization insurance. Over 14 million people now belong to nonprofit associations that entitle them to 3 weeks or more of hospital care per year. Additional millions are covered by commercial hospitalization insurance. Hospitalization insurance protects against part of the heavy cost of operations or serious illness—even though doctor's bills must still be paid separately. There are also some voluntary nonprofit plans that provide surgical care during hospitalization. The largest of these is in Michigan with nearly half a million participants. These programs, although they fall far short of

complete health insurance, do protect against the most serious economic hazards of illness. Small doctor bills can usually be met out of current income; it is the acute illness or the major operation that creates a crushing financial burden on the individual. Voluntary hospitalization insurance costs little, \$1 to \$2 per month for a family. It would cost less if it were a compulsory state-wide program. Administration would be relatively simple. Many problems would not arise; for few people would try to get themselves hospitalized even if they did not have to pay for it individually. Existing hospitals, public and private, could be used. This segment of health insurance could be financed by employees alone or preferably by joint employer-employee contributions. It could be administered along with either unemployment compensation or accident compensation. Combined with it, cash disability compensation might be paid during hospitalization and for a short convalescence period thereafter.

However, there is another quarter where provision for hospital or medical care is even more needed. Under existing conditions city wage earners are far better off than rural people in this matter. After all, clinics and free or low-cost hospital care are quite often available in cities, even without a health insurance system. It is in the rural areas that this type of social security is most desperately needed. Obviously the rural problem calls for a different program from that sketched above. Hospitalization insurance financed by a pay-roll tax could not be used. There are few hospitals available in rural areas and most of the people needing protection are not wage earners. For rural areas, the Federal government might aid in financing the erection of hospitals where needed, on condition that the state and county finance their operation,¹ preferably working with a cooperative of the residents of the county organized for the purpose. Here the cooperative community hospital in Elk City, Okla., could serve as a model, though partial government financing would make possible a great reduction in cost of service to members. Hospital and medical care might be provided entirely from government funds; but it seems desirable to require citizens as individuals to bear part of the cost directly. Such a program would give a rural area not only a hospital, but the services of

¹ This was recommended in 1939 as part of the "National Health Program" proposed by the Inter-departmental Committee to Coordinate Health and Welfare Activities created by President Roosevelt in 1938.

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specialists working as a team—the only way that really good medical care can be provided today.

Here, then, are three possible lines along which health security programs might be developed: state disability compensation, state hospitalization insurance, and government aid to rural hospital cooperatives. In no field is there more need for diversity to meet different problems and for experimentation to find out what people want most and what is the best way to provide it. Though health is no doubt a national problem, attempts to set up a unified or uniform national health program would be unfortunate.

Provision against Old Age and Death.

Turning next to old age and death of the breadwinner as personal causes of insecurity, there is now a double-barreled program—the national Old Age and Survivors' Insurance system (OASI) plus the state-Federal programs of old-age assistance and aid to dependent children. Before Pearl Harbor there was a strong movement to replace both of these (so far as they cover old age, at any rate) by a universal, uniform national pension, paid as of right to all persons reaching a given age—sixty-five or sixty. We may expect a renewed demand for such a program as soon as hostilities cease.

The functional approach to social security suggests continuance and extension of OASI paid as an "earned right" in preference to either the "universal right" of the Townsend plan or the "needs basis" of old-age assistance. The present plan of joint financing by employer and employee, with contributions calculated as a percentage of pay roll and of wages, is appropriate for financing protection against the personal hazards of old age and death. When benefits are paid as an earned right, they should be at least roughly proportionate to previous earnings. In that respect the present OASI benefit formula is faulty at several points. This is too technical a matter to elaborate here; changes that might help considerably are proposed in the Wagner-Murray-Dingell bill.

Another question in connection with benefits under such a program may prove more difficult of solution. Since 1939 the system has provided dependents' benefits both as part of the old-age program and through the system of survivors' benefits. This addition was heralded as a great forward step. But there is an inherent difficulty in basing benefits on number of dependents, if we do not want benefits in any case to exceed the wages received

while working. Obviously wages earned do not vary with numbers of dependents. Under OASI the "primary benefit" is a percentage of previous earnings. Additional benefits are paid for the dependent children of a man past sixty-five or, in case of death, the widow and children get benefits based on that primary benefit. If there are several children, the total benefit when calculated may easily exceed the man's previous wage. The present formula contains the safeguard that the total family benefit shall in no case exceed 80 per cent of the average monthly wage on which it was based. But in a good many cases this may make the dependent's benefit provision nearly meaningless, a case of giving with one hand and taking away with the other. This will become increasingly true if the benefit formula is further liberalized in other respects (as is proposed, for instance, in the Wagner-Murray-Dingell bill). In short dependents' benefits create something of a dilemma in any social security program.

The Beveridge plan has a solution, *i.e.*, it proposes "children's allowances" (for every child after the first) even when the father is earning full wages. This is a step not seriously considered in the United States.¹ Most of us believe that our economy can and should pay wages high enough to enable employed workers to support their families except in rare instances.

How far can OASI be extended to cover the whole population? To include farm and domestic labor or the self-employed on a compulsory basis would involve substantial administrative difficulties. It might be worth while to see first how far it would spread on a voluntary basis with government (preferably state government) matching a flat, fixed contribution which could be made by anyone who chose to enter the system.² No doubt such contributions would be made irregularly if they were voluntary. But if their benefits were based on their contributions, people would get whatever old-age and survivors' insurance they (with state aid) had paid for. Probably an assistance program on a needs basis, Federal-state financed as at present, would have to be continued to take care of those without adequate OASI protection.

¹ However, a universal children's allowance program to pay \$5-\$8 a month per child was recently passed by the Canadian House of Commons.

² A flat contribution would seem far simpler than any attempt to determine the "market value of their services" as a basis for their contribution, as is proposed in the Wagner-Murray-Dingell bill. The flat contribution might be fixed annually at the average of the contributions of all wage earners.

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This completes consideration of programs to provide protection against nonindustrial or personal hazards. Such programs constitute the simpler part of a social security system because they are less intimately related to the economic system. The manner in which the economy operates cannot directly increase or reduce the incidence of personal hazards as that term is used here. Though no social security program can safely ignore the going economy—by paying benefits in excess of prevailing wages, for example—still, programs dealing with personal hazards do not raise so many problems as to the proper allocation of costs, the danger of subsidizing antisocial methods of production, etc.

Provision against Accidents and Occupational Disease.

In the list of industrial hazards, accidents and occupational disease still rank as important. The present employer-financed compensation program exerts a very useful pressure for prevention and serves to allocate correctly the costs of accidents and disease, so that they get included in specific prices. If we pooled accident compensation costs with other social security costs, we would in effect be subsidizing hazardous methods of production as against safer methods. This point might not seem worth laboring, if the Beveridge plan did not recommend including accident compensation in the general unified social security system, with workers and the state sharing in the cost. To be sure, the plan does suggest that some extra contributions be collected from employers, but only in extrahazardous occupations.

Most Americans probably agree on the desirability of keeping compensation for accidents as a separate program financed by employers only, their contribution rates determined by experience rating. But many would not apply this to occupational disease. Advocates of health insurance usually want to include industrial with nonindustrial illness—to avoid complications and achieve complete coverage. Here is a clear parting of the ways in the extension of social security. Occupational disease is a field where correct allocation of costs is most important. It is needed to avoid the unfair and antisocial competition of concerns using methods of production dangerous to health against concerns using perhaps more expensive methods that are not dangerous. Of course, government can and should, through regulation, prevent the use of unhealthy processes, but the pressure of the compensation system should

reinforce such regulations. As mentioned above, it has proved highly successful, notably in stimulating prevention of silicosis.

There is one more question in relation to accident compensation. When this program began, most states made no provision for a public insurance agency. It was left to the private companies that had sold employers' liability insurance to offer compensation insurance instead. Even when the carrying of insurance by employers became compulsory, they were left to seek it from private companies. In Wisconsin, Prof. Commons was instrumental in securing the establishment of new mutual insurance companies which have put strong pressure on employers to prevent accidents. However, the administrative expense involved in competition between insurance companies in the compensation field has, I believe, proved excessive. Meanwhile the few states that experimented with state insurance funds have shown that this business can be run cheaply and effectively by government, with just as much incentive to employers to prevent accidents. Government insurance in all the new social security programs is universally accepted. The private insurance companies have become well entrenched in the accident compensation field, but I believe a determined effort should be made to dislodge them.

Provision against Industrial Old Age.

Next comes the problem which I have called "industrial old age." Although the wartime man-power shortage has temporarily obscured this problem, we can expect it to emerge again early in the postwar period. Men and women well under sixty-five, the present old-age assistance and insurance age, are likely to find extreme difficulty in finding or keeping jobs. Merely to lower the benefit age from sixty-five to sixty or below is no real solution. People in that age group should have a chance for jobs, not benefits. They are too young to retire. Why cannot employers be given a financial incentive to employ these older workers? This could easily be done by paying benefits to dismissed individuals in this age group out of a special fund financed by employers only, their contributions to vary inversely with the average age of their working force. Under such a plan there would obviously be a positive incentive to hire or retain older workers. (One who decries this plan as merely creating unemployment in younger age groups is thinking in terms of a contracted economy, and the "hard core of unemployment" we used to talk about in the thirties. This will be discussed later.)

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Provision against Unemployment.

Finally we come to a highly controversial subject—the future of unemployment compensation. Unemployment is the most serious and most baffling of the hazards against which social security protection is sought and the one most obviously connected with the functioning of the economic system. Unemployment compensation then, or any other type of program to provide for the unemployed, needs preeminently to be geared correctly into the economic system—or it might do as much harm as good.

Most of us agree that our future unemployment program should be a threefold one composed of unemployment compensation and public works and unemployment relief, with the public employment service working closely with all three as well as serving as the placement agency for private industry. There is controversy on various points as to the proper relation of these parts, especially as to the proper role and character of unemployment compensation. The discussion here will be confined to the issues as to the future of unemployment compensation.

The basic issue from a functional viewpoint is the method of financing, because that is the chief point of contact between unemployment compensation and the going economic system. The whole argument for and against employee contributions and for and against experience rating cannot be reviewed here, and no attempt will be made to demonstrate that experience rating does promote steadier employment, nor to answer many of the arguments against it. Only two rather fundamental questions will be considered: Whether the employer can and should be made to carry the cost of unemployment compensation and whether the steadier employment that may result from this method of financing is or is not socially desirable.

The first question may be clarified by contrasting the distributional and the functional approaches. According to the distributional approach, unemployment compensation fills a very obvious gap left by private enterprise. It provides a substitute income for would-be wage earners when and while the economy finds no use for them. Their support is seen as properly an overhead cost of society as a whole. Under this assumption unemployment compensation really should be financed entirely through a tax based on ability to pay. Short of that, the burden should be distributed as widely as possible.

It is sometimes said that a flat pay-roll tax collected from employers does effect a wide distribution of the burden. It spreads the cost more or less evenly over the population, because the employer shifts the tax, either to his wage earners by paying them lower wages than he would if he did not pay the tax, or to the consuming public by including the tax in costs, and hence in prices.¹ Under either of these assumptions it is said that the cost of unemployment compensation is in effect financed by a more or less universal tax.

According to the distributional approach, a uniform pay-roll tax as shifted is open to only one serious objection—it constitutes a regressive tax. Because paid by all, it bears unduly on those with the lowest incomes. To offset this it is urged that the pay-roll tax should be combined (as in England) with a contribution for unemployment compensation taken from general tax revenues. (This is on the assumption that as a whole the tax system is based on ability to pay.) A contribution from employees is also urged on the ground that it would produce additional revenue and would not really add to the burden on the workers.² The distributional approach, of course, has no place for experience rating.

The functional approach to the financing of unemployment compensation must obviously be entirely different. It aims to make compensation for the unemployed not a general social cost, but an individual business cost—a cost that the individual business concern incurs if it lays off workers (and they fail to find other jobs) but avoids if it keeps them steadily employed. It aims to do this, because it regards the provision of year-round income as the responsibility of the business concern, not of society in general. The role of society (speaking through government) is merely to see that each business concern does actually carry this responsibility.

The analogy of minimum wage laws may be suggestive. No one advocates supplementing sweatshop weekly wages from a fund financed either by general taxation or by flat contributions from all employers. This would clearly mean subsidizing sweatshops and enabling them to compete unfairly with concerns that pay adequate wages. Instead, society requires every employer to

¹ For a discussion of the shifting of pay-roll taxes, see National Resources Planning Board, *Security Work and Relief Policies*, pp. 332f.

² For an argument for abandoning the pay-roll tax entirely, see Eveline M. Burns, The Beveridge Report in *American Economic Review*, September, 1943, pp. 531–532.

assume as a cost of doing business the payment of at least the legal minimum wage. If it is the responsibility of the individual business concern to pay a weekly living wage, why does it not have a similar responsibility in the matter of a year-round wage?

Unemployment compensation, correctly financed, means a step in this direction. It makes regular wages or the provision of substitute income for the unemployed a cost of the individual employer.

But can it really do this by financing unemployment compensation through pay-roll taxes, if pay-roll taxes are shifted, probably to consumers, or possibly to wage earners? The answer to that question runs as follows: A tax measured as a percentage of pay roll may be passed on to the consumer if it is uniform. If all the concerns that produce a given product pay the same tax, they can all include this cost in their price. Even under experience rating, if irregularity of employment prevails in all concerns in a given industry, and none can avoid it, then none can get a reduced contribution rate and the tax is probably passed on to the consumer because it is part of everybody's costs. This is true of such an article as styled clothing. Note, however, that the contribution or pay-roll tax that meets this cost is shifted to the consumers of the particular product, not to consumers in general.

On the other hand, in lines of industry where some plants avoid the tax by providing regular employment, the plants that pay the tax cannot pass it on to consumers or their price would exceed that of their competitors. In such industries the tax must be absorbed by the individual business concern.

In short a pay-roll tax that varies among industries and among individual concerns can scarcely be shifted—in the general tax theory sense. Unlike a flat, universal pay-roll tax, it is bound to remain a true business cost to be avoided or reduced where possible. If no concern can avoid it, it will be included in the price of the particular product.¹

¹ Perhaps we should consider what happens if we assume that the irregular concern is the marginal concern needed to meet existing demand. Then the price must remain high enough to include this cost. But the regular concern will profit because it is able to avoid this cost and hence can ultimately expand its production and put its irregular competitor out of business.

As for the possibility of shifting a pay-roll tax to wage earners, wherever pay-roll taxes vary as between plants or between industries in the same market, it is doubtful whether they can be shifted to wage earners—if there is any com-

This is the basic principle behind the financing of unemployment compensation through a pay-roll tax combined with experience rating. It is an attempt to make the price system do its job, to see that the prices of specific articles reflect all the costs of those articles, neither omitting any nor including the unrelated extraneous costs of other articles. So long as we use a price system as a guide and regulator of economic activity, we ought to try to make it as reliable as possible as an indicator of true costs.

Experience rating can undoubtedly be refined and improved as an instrument for allocating costs. A recent wartime development represents one such refinement. Experience rating had hitherto been based in most states on the ratio between the employer's reserve fund and his pay roll. It became clear that extreme wartime expansion of a given plant foreshadowing similar postwar contraction might increase benefit liability out of proportion to the change in that ratio. Recognizing this situation, 10 states acted in 1943 to take into account, in determining employer contribution rates, not only the ratio of reserves to pay roll but also the degree of pay-roll expansion since 1940. This is too technical a matter to discuss further here, but it indicates the kind of thing that can be done to improve experience rating.

But the question is sometimes raised whether the regular year-round employment which a functional unemployment compensation system is designed to promote would be a good thing in the postwar period. Might it not militate against the expansion of employment opportunities and thus prevent that full employment which is accepted as a primary postwar goal? Experience rating, it is said, might deter an employer from taking on extra workers, because of the effect on his record if he has to lay them off. Thus, while it might help some workers get year-round jobs, it might keep others from getting any job at all. In other words, it might increase the "hard core" of unemployment. If this argument against experience rating is an argument for dividing up scarce employment opportunities by encouraging seasonal peak periods that use a large labor force to be followed by slumps with large layoffs, then it is indeed a counsel of despair. We must surely find better ways of providing for a surplus labor supply than by keeping all workers intermittently unemployed.

petition for labor—since some employers, having no tax to pay, would not be trying to take it out of wages.

However, this criticism of experience rating probably rests on somewhat more solid ground, on an assumption that society should do anything and everything to encourage the expansion of employment and should gladly assume all the risks involved if any employer is willing to hire additional workers. Is that assumption valid? I believe it is based on two misconceptions: (1) as to the effect of regularization and (2) as to the proper division of responsibility between government and private enterprise in a mixed system.

Regular year-round employment increases the purchasing power of the worker, and year-round utilization of plant reduces the cost and presumably the price of the product. If the underconsumption theory has any validity, regularization thus should help provide a market for the output of full employment. Thus regular employment should help, not hinder, full employment.

The second question is: Who ought to carry the risk of expansion—or rather that part of the risk involved in providing compensation for laid-off workers, if contraction should follow expansion? That risk in the past was borne by the individual worker, since he could be laid off uncompensated at a moment's notice whenever the employer wished. No one advocates that today. But the distributional approach assumes that the only alternative is to have society as a whole carry this risk. The functional approach asserts that this is properly one of the risks of operating an enterprise and should be carried by the enterprisers whom society pays to carry the risks. They can and should build up reserves for this purpose (through their contributions to unemployment compensation funds) just as they build up reserves for obsolescence, taxes, interest on bonds, etc.

In passing, it should be noted that the functional approach to unemployment compensation assumes a tax program that gives some preference to venture capital as compared to income from "gilt-edged" securities. If private enterprisers have a role to play in a "mixed economy," we must make them play it; we must see that they carry the risks. But also we must let them reap appropriate rewards if they win.

So much for the financing of unemployment compensation. Now let us consider briefly the benefit side of the program. The chief issue in this field is how long benefits should last. Admittedly the duration provided under some state laws is inadequate at present. It does not cover even normal short-time unemployment. Lengthening the benefit period is highly desirable, if it can be done consist-

ently with sound financing. But how far should it go? Is 20 weeks per year enough, or 26, or should unemployment compensation last a year, as some enthusiasts now urge? Sir William Beveridge has gone the whole way. Under his plan a worker would be entitled to unemployment benefits as long as he is unemployed. Of course, Sir William recognizes that this is no real solution of the unemployment problem. He declares that no one should be allowed to stay idle on benefit more than 6 months. He rather vaguely suggests training programs for those longer unemployed. But he sets no limit to the right to benefits.

This is no doubt correct under the distributional approach. The functional view is very different. It sees unemployment compensation as a program financed by employers to provide against only as much unemployment as employers should be expected to take responsibility for. Though it may be difficult to decide on the precise benefit maximum, it is clear that public work and public assistance or relief (financed by general taxation, or perhaps by borrowing) must continue as stand-by programs for the long-time unemployed. A limited unemployment compensation program will have a definite advantage in preventing the illusion that benefits for the idle are a real solution of the unemployment problem. Regular employment and full employment must be our goal.

One final controversial issue in unemployment compensation cannot be passed over, namely, whether or not it should be converted from a Federal-state cooperative program into a unified national system. The C.I.O. and the A.F. of L. are on record in support of a national system; the Social Security Board and the NRPB recommend it; the Wagner-Murray-Dingell bill provides it. Yet perhaps something can and should be said on the other side. Nationalization is tied up in fact, and also I believe in theory, with the abolition of experience rating. Also it would put an end to diversity and experimentation, to the making of advances wherever they can be made.

To be sure the tax offset device in the Social Security Act immensely accelerated the spread of unemployment compensation among the states, and Federal administrative grants and the control attendant on them have in many states kept the level of administration above what it might otherwise have been. In short the Federal government has played an important role in unemployment compensation—in a cooperative Federal-state setup. It should con-

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tinue to play such a role. It should not take over the whole program, lock, stock, and barrel.

Unemployment compensation (plus the employment service, which should be returned to the states after the war) is a very large government program which affects a very large number of people and it necessitates close, frequent, and rather complicated contacts between them and government. Hence the active participation of representatives of these affected groups in its administration and in its further development is especially important. Such participation can best be made effective in a program operated on the state level. If uniform standards and procedures were decided in Washington, there would be little scope or opportunity for state or local advisory committees or councils. A number of states have demonstrated how to operate unemployment compensation in this essentially democratic fashion. They have used representative advisory bodies as an integral part of their administration and as a way of securing agreement between employers and labor on amendments to strengthen their laws. This takes enlightened leadership in employer and labor circles, as well as patience and skill on the part of administrators. It will never be an easy thing to do, but it is far more possible on the state than on the national level. In fact, it probably could not be done at all in a national system. And in the larger framework, if we recognize unemployment compensation as a major governmental program, it is something immensely worth doing.

CONCLUSION

It should by now be fairly clear where a functional approach to social security leads. Since, obviously, social security will be one of the major functions of government in the postwar years, it is highly important that it be operated as democratically as possible. That means—to put it briefly—with fullest participation by private citizens. This concern for citizen participation in social security planning and administration is pretty generally felt. Thus the report of the NRPB contains the following:

Enlistment of lay participation in policy formation and appropriate phases of administration is one of the surest means of tempering the rigidities of bureaucracy and educating citizens in regard to the character of the problems to be faced by policy-makers and administrators.¹

¹ *Security Work and Relief Policies*, p. 544.

But unfortunately the NRPB report does not recognize that this kind of democratic participation can be secured only if action both legislative and administrative is kept decentralized—is left largely to the states rather than carried on in Washington.¹

One of the best statements of this reason for retaining state action in social security was made a few years ago by the chairman of the Social Security Board. Arthur Altmeyer was formerly secretary of the Wisconsin Industrial Commission and as such worked with employers and labor in operating and strengthening the state's accident compensation law and in the early development of its unemployment compensation law. Though today he advocates nationalization of most of social insurance, in 1940 he put the case for the Federal-state cooperation of the Social Security Act in these words:

. . . it is inconceivable that a law which affects so intimately the daily lives of our people could be administered from Washington. No law could be written which would take into full account the variation in the conditions and circumstances existing throughout this country. . . . The cooperative federal-state plan . . . not only allows for the enactment of laws adapted to the circumstances and prevailing public opinion in the various states, but also reduces the administration to a manageable scope. It permits of closer contacts between the responsible administrators and the persons and groups affected. . . .²

Second, as to the relation of social security to the going economy. The functional approach distinguishes between insecurity due to personal causes and insecurity that arises from the way the economy operates. It makes this distinction because it believes that social security programs affecting the latter can, through allocation of their costs, serve to improve the way the economic system functions. Or, to put it another way, they can help to provide security through jobs rather than through benefits. For the functional approach regards much of what is called social security as a necessary evil, a palliative, not a cure, for economic ills. It does not take too seriously the old fear that this kind of government protection may demoralize the workers. But it recognizes that social security does have its dangers. Social security may demoralize not so much the workers as statesmen, business leaders, and the public generally.

¹ For a fuller statement of my reasons for this view, see my article Centralization and Democracy, *Survey Graphic*, December, 1942.

² Address by A. J. Altmeyer on Mar. 7, 1940, in Wilmington, Del.

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Americans have recently discovered (as did the Romans before them) how easy it is to provide "bread and circuses" for the populace. But bread and circuses are not enough for the citizens of a democracy. Even as an economic goal, security is not enough. For freedom from want is a passive, not an active freedom. Unemployment compensation, even unlimited in duration, is a poor substitute for the homestead Uncle Sam used to offer. At best, social action to take care of the individual is inferior to opportunity for that individual to take care of himself. As Justice Holmes once said, "To live is to function; I know no other meaning." Our real goal, then, must be not cradle-to-grave security, but opportunity for all of us to function as full members of society, as active participants in our economy and in our government.

CHAPTER IV

AGRICULTURE

ASHER HOBSON

BASIC ASSUMPTIONS

Postwar planning in agriculture, as in other fields, assumes a knowledge of a bewildering array of unknowns. It assumes that the planner can anticipate the economic and social conditions that are likely to exist after the war and can separate the forces that are to be stimulated, guided, or suppressed. Some of these forces may be anticipated with a fair degree of accuracy, others can be merely noted and, what is most disconcerting, many no doubt will be entirely overlooked. This discussion makes no assumption of completeness. The writer claims no unusual powers of insight into the future. The attempt is that of setting forth certain information that points to future tendencies in the realm of economic developments in the field of agriculture, and to appraise the possibilities of modifying these developments in order that they may better serve the interests of agriculture and, through agriculture, the interests of the nation.

The fate of American agriculture is inseparably tied to the status of the peace resulting from this war. Security from aggression, or lack of it; relative freedom of exchange of goods and services among nations, or restricted freedom of such exchange; a rigid exercise of centralized authority here at home, or a larger return to freedom of enterprise—all these will play dominant roles in molding the post-war situations with which planners must deal. This discussion is based upon the assumption that the Allied Nations will be in position to shape international forces in a manner acceptable to them and that our domestic economy in this country will follow along patterns of our own design, rather than that our decisions will be dominated by unfavorable international situations beyond our control. In short, it is assumed that no insurmountable barriers will prevent the shaping of agricultural policy after a fashion of our own choosing. It is to be expected, of course, that there will be

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many problems originating beyond our control and not of our own making, but it is valid to assume that the manner of handling these problems shall be the result of our own thinking. These assumptions leave the planner free to discuss "What does agriculture want, and how can agriculture get what it wants?"

The immediate postwar period promises to be a continuation of the war period as regards an unusual demand for agricultural products both at home and abroad, high price levels, and government controls over prices and distribution. It will most likely be a period of continued emergency adjustments. For these reasons, this chapter deals with the long-time period following the shorter post-war readjustment era. It deals with that period when the war-denied desires of the consumer for goods and services have been met with adequate supplies. This discussion is pointed toward the long pull that lies ahead of agriculture after it has emerged from the war-dominated demands for its products.

Planning in agriculture is not new. Farmers and their leaders have a large body of experience upon which to build. The evidence based upon past experience is such as to justify serious thought as to possible ways of meeting the impacts resulting from this war. One of the early questions to be answered concerns the goal that agricultural leaders and statesmen have in mind.

AGRICULTURE'S POSITION IN OUR POSTWAR ECONOMY

What should be agriculture's position in the postwar economy of the nation? What does agriculture want? It is difficult, indeed, to plan a journey if the desired destination is not known. The first task of the planner is that of establishing the goals toward which to strive—goals which, if reached, will establish something approaching the desired ends. If one should put this question of "what" and "how," to the rank and file of farmers, one would probably have difficulty in getting conclusive answers, other than that most farmers would most likely indicate that they wanted "something better" than they had following the First World War and preceding the Second World War. It is difficult to confine such demands within the bounds of a few sentences. Nevertheless the almost continuous agitation for agricultural relief during the past 20 years has contributed some hard thinking on these questions. One rather widely accepted formula for a desired end is that agriculture be rewarded in proportion to its contribution to the national welfare.

Farmers should insist on as much. They cannot legitimately ask for more. The difficulty with such a demand is the near impossibility of securing agreement on an accurate measure of farm contributions to the national welfare, or an accurate measure of rewards for such contributions. This difficulty has led to similar demands stated in another way: there should be a balance between the rewards to agriculture and those to other large economic groups.

This statement implies a more equitable relationship with commerce, industry, and labor. The "parity price" and the "parity income" concepts embodied in the Agricultural Adjustment Acts were attempts to apply workable measurements as a basis for action programs. But one of the shortcomings of the action programs was that they applied these concepts in somewhat similar fashion to highly developed farm areas and to poorly developed farm areas; to good land and to poor land alike; and to efficient farmers and to inefficient farmers. The parity principle has an inherent weakness as a guide for long-time desirable agricultural trends. Parity attempts to establish equal opportunity for farmers in comparison to other large economic groups; for producers of one farm commodity as compared to producers of another farm commodity. Equality of opportunity tends to freeze the *status quo*. Progress is often the result of unequal opportunity. Progress has little respect for the *status quo*.

The halting results of parity programs suggest another approach. An acceptable statement is: The returns to agriculture should be sufficient to provide an acceptable standard of living to reasonably efficient farmers. This, too, is a concept somewhat difficult to translate into terms of practical application. But it does have the advantage of at least directing attention toward efforts designed to reward efficiency—a virtue not shared by all the recent government programs. To some, the term "efficient" tends to complicate the statement. Yet one may well doubt if agriculture as an industry will ever be so prosperous as to be able to guarantee a living to all who are willing to farm regardless of their capabilities or willingness to work. Farming is a skilled occupation. It should be regarded as such. The only way to establish farming as a technical pursuit worthy of the pay of technicians is to reward efficiency. This can hardly be done by making farming a catchall, through attempting to provide a haven for those who farm as a last resort. The public will hesitate to continue to supply funds to provide economic

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security on the land for those who unquestionably do a poor job at farming. If the government is to provide security for inefficient farmers, it is urgently recommended that it be done in a manner that will not inflict subsidized competition upon the self-supporting farmer.¹

RESPONSIBILITY FOR PLANNING

Assuming that the goal—an acceptable American standard of living for reasonably efficient farmers—is worthy of postwar planning attainment, the question arises: How can agriculture secure such a position in our national economy?

Postwar planning is looked upon by many as a primary function of government. In the field of international economic relations this tends to be the case insofar as agriculture is concerned. Trade in agricultural commodities is carried on and will continue to be carried on—it is hoped—by private enterprise. Nevertheless there does not seem to be any great likelihood that private competitive forces will exert any considerable influence in molding policy in the international field to meet exceptional situations should they arise. Consequently attention here will be given to the analysis of certain official programs that indicate the trend of thinking on postwar policy in the realm of international agricultural relations. As regards domestic policy, it seems clear that individuals as well as organized groups have important roles quite apart from those which will inevitably be assumed by government.

Even so, it is probable that the government will play a dominant role as regards domestic policy also. Especially is this likely to be the case should agriculture be faced with a prolonged period of declining prices. For this reason it is believed well to review the extent to which the government has participated in agricultural operations as a relief and planning agency. Such a review provides a basis for a better understanding of the possibilities and limitations of government participation in postwar agricultural planning. It also throws considerable light upon the present attitude of farmers on the question of government participation in the details of farm operations. These attitudes are bound to have a molding effect upon future government agricultural programs.

¹ Agriculture after the War, *Economic Information for Wisconsin Farmers*, University of Wisconsin, August, 1941.

THE EVOLUTION OF GOVERNMENT PARTICIPATION IN AGRICULTURAL AFFAIRS¹

Our government has always been sympathetic toward its farmers. Such an attitude was to be expected in the days of more land than farmers and when the great bulk of the nation's population was directly dependent upon the soil for a living. But it is a little surprising to observe that, as the agricultural population becomes relatively less numerous, the generosity of government becomes increasingly marked.

To be sure, agricultural legislation has not always resulted in helping agriculture. Yet it is fairly certain that the intent to help is always present. The Homestead Act of 1862 is a case in point. It is rather generally agreed that part of our present difficulties have their roots in this act. It brought into cultivation millions of acres that should never have been exposed to the plow. The government meant well. Farmers wanted cheap land. The government gave them cheap land. The trouble arises from the fact that the land was not only cheap, but some of it was extremely poor. One of our peacetime problems is that of retiring this poor land from circulation as farms.

Easy Access to Land.

Early agricultural policy was devoted almost wholly to promoting land settlement. The price of government land was low, seldom exceeding \$1.50 per acre. But cheapness was not enough. Private ownership of land was made still easier by a series of official programs designed to facilitate settlement. The more important of these are familiar. They are listed here merely to emphasize their place in the evolution of agricultural policy.

The Indians were concentrated in order to make way for the white settler. By the pre-emption law, "squatters" who outran the surveyors were permitted to retain possession of their holdings. The railway land grants played an important role. As someone has said, they promoted the building of railroads "from places where no one lived to places where no one wanted to go." It was assumed that settlement would follow the rails. It did. The master stroke of the nineteenth century in matters of agricultural

¹ HOBSON, ASHER: The Evolution of Farm Relief, *The American Scholar*, vol. 11, pp. 495-501, 1942.

policy was the Homestead Act (1862) reducing the amount of money payment required of the settler. The government disposed of something over 100 million acres of land under this act and its subsequent extensions.

The treatment of forest lands stands out as an exception to the government's urge to transfer land from public to private ownership. During the period 1891 to 1907, some 147 million acres of forest and grazing lands were removed from the possibility of transfer to the realm of private enterprise.

Education, Research, and Extension.

Beginning with the passage of the Morrill Act (1862), the Federal government set out on what later became an energetic and sizable effort to promote agricultural education, research, and extension activities. Through the donation of public lands, it provided for the establishment in each of the states of an institution of higher learning known as a "land-grant" college or university for the teaching of agricultural and engineering subjects.

By the Hatch Act (1887), Congress provided that Federal money be made available annually to each of the states for agricultural experimental and research purposes. The Smith-Lever Act of 1914 placed on a permanent basis the agricultural extension service with its corps of county agricultural and home demonstration agents.

These original acts have been augmented and supplemented. Funds, especially for research and extension purposes, have been substantially increased from time to time. Agriculture stands out among the economic groups as the one upon which the government has been most lavish in its efforts to place the group on a high plane of operating efficiency.

Restraints for the Other Fellow.

The Granger movement in the seventies crystallized farmer demands that the railroads and other "monopolies" be curbed in the interests of those who dealt with them. Partly, perhaps predominantly, as a result of these demands, Congress passed the Interstate Commerce Act, the Sherman Antitrust Act, and the Pure Food and Drug Act. Although legislation of this sort does not deal directly with agriculture, it may very properly be listed as a distinct part of agricultural policy.

Liberal Government Credit.

One of the earliest of the official agricultural programs was the sale of publicly owned lands at low rates and, during certain periods, on easy terms. But it was not until 1916, with the establishment of the Federal Land Bank System, that Uncle Sam entered the field of supplying credit to agriculture in a large way and for purposes other than the purchase of the public domain. This policy has been expanded to cover short-term marketing credit and loans to agricultural cooperative associations for the conduct of their business. In the case of feed and seed loans and loans made by the Farm Security Administration, the government extends credit to many who have no credit standing under the ordinary interpretation of that term.

No longer can it be said that farmers as a group suffer from a lack of credit facilities designed to meet their needs. The question is sometimes raised as to whether farmers have not been the victims of too much and too easy credit.

The foregoing sketch covers in brief the first 100 or more years of official agricultural policy in this country. This is one instance in which the first 100 years were not the hardest. It is believed by many that agricultural policy was born in the thirties. Such is not the case. Our government throughout its existence has been mindful of agriculture. Measured by the standards of the time, it can be said with acceptable accuracy that the government has done more to promote agriculture than any other profession, occupation, or calling. Even the advance of medical science has received no such encouragement, yet health is considered a heavy public responsibility.

Truly, even before the days of the McNary-Haugen, the export debenture, and the domestic allotment discussions in the twenties, and before the days of the more recent Federal Farm Board and the Agricultural Adjustment Administration (AAA), agriculture occupied a favored position in the eyes of Federal legislators.

Perhaps the reason why the earlier acts of government are not looked upon by many as matters of policy is their mildness as compared to more recent programs. They involved no direct monetary rewards. Compulsion in connection with farm operations was lacking. The aim of Congress seems to have been the promotion of the family-sized farm in an atmosphere of competitive

private enterprise. The farmer was assisted in the acquisition of land. He was protected, in a measure, against detrimental activities of powerful economic groups with which he must deal. He was furnished with much friendly advice on a take-it-or-leave-it basis. Yet in the last analysis his decisions were his own. He went ahead pretty much under his own power reaping the gains and bearing the losses. Government assistance was extended largely on a self-help basis. Recent policies depart markedly from this philosophy.

The Hectic Twenties.

The First World War lifted agricultural prices to soaring heights. The latter part of 1920 saw them drop with a resounding crash. The severity of the economic shock is indicated by the following figures:

	1920	1921
Cash farm income.....	\$12,600,000,000	\$8,100,000,000
Farm price index (1910-1914 = 100)....	211%	125%
Farm purchasing power (1910-1914 = 100).....	111%	67%

Congress began to hear from the rural "boys" back home. The three general farm organizations of national scope had established permanent legislative offices in Washington in order to provide a better sounding board for the boys back home. The demands were many and insistent that something be done. Congress and the administration became deeply concerned. There is much evidence of this concern. Congress set up a Joint Commission of Agricultural Inquiry with instructions to report within 6 months on *The Agricultural Crisis and Its Causes*. The report covers some 1,300 printed pages of ordinary book size. This was in 1921. President Harding called a national agricultural conference early in 1922, to which 439 delegates from all parts of the country were invited. A third manifestation was the organization of the "farm bloc" in the Senate, the first of its kind.

Some students of the subject are inclined to look upon this period as the real beginning of the government's participation in agricultural affairs. Without doubt, it is the period in which the government began to consider ways and means of participating more

directly and more actively in agricultural matters. Discussions began to wander from the self-help principle to the possibility of the government's taking a hand in the control of farm prices.

There is a real basis for the statement that Congress passed more legislation on behalf of agriculture during the period from 1920 to 1932 than during its entire previous existence. Not only did the government expand the output of economic and scientific information, but this period saw a considerable increase in the "control of others" on behalf of agriculture. To mention a few examples: Packers and Stockyards Act, Grain Futures Act, Filled Milk Act, Cotton Standards Act, Produce Agency Act, Perishable Agricultural Commodity Act.

It was during this period also that Congress departed from its usual practice by granting to agriculture what were looked upon at the time as special privileges. In 1922 the Capper-Volstead Act was passed granting to agricultural cooperative associations certain immunities under the Sherman Antitrust Act, thus permitting farmer cooperatives to do certain things denied to their private competitors. During the same year, agriculture was granted a representative on the Federal Reserve Board. Yet by far the greater bulk of the legislation was more of the usual kind. The usual consisted of larger appropriations for research and extension, increased quantities of information, more credit on easier terms, more rigid controls over those handling farm products.

But legislation of this sort, no matter how profuse, was not enough. It did not answer farmer demands. Their trouble was low prices. The cure was higher prices for farm products. Hence, the beginning of the extended, not to say bitter, controversy in Congress over bills designed to raise the domestic prices of agricultural products above world price levels.

The discussions began with the introduction of the first McNary-Haugen bill in 1924, embodying the equalization fee principle. The domestic price was to be based upon a "fair exchange value"—the ancestor of the parity price concept. The fair exchange value was one that represented the relationship of the prices farmers received for their products to the prices paid by farmers for the things they bought, during a designated previous period. The designated base period was to be one that represented happier days for the farmer. The surpluses were to be exported at world prices. The "losses" on exports were to be made up by the collection of a small fee on each unit of product grown. A small fee upon the

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whole production would provide a large fee for the exported portion. Since the price for exports determined the domestic price, the domestic price would be raised, so it was claimed, by the amount of the fee added to the export price.

Another two-price plan advanced during this period was the export debenture which proposed to pay subsidies to exporters of designated farm products. The subsidies were to be paid in certificates which would be valid for the payment of custom duties on imports. In short, it was an export subsidy with administrative trimmings.

The domestic allotment proposals attempted to accomplish the same results by a different approach. It was based upon rewards to those farmers who reduced their acreages of surplus crops in keeping with the demands of the domestic market. Instead of exporting the surpluses at a loss, the thought was to eliminate them. Individual farms were to have allotments. Rewards were to go to those who kept within the allotments. Funds with which to pay the rewards were to be raised by a fee which in later legislation turned out to be a processing tax.

It will be observed that the basic principle involved in each of these proposals was the same—a separation of the domestic market from the world market price with a view to raising artificially domestic prices. The differences are in methods. None of these proposals found their way into law during the twenties. Yet few defeated proposals have had such tenacity for legislative life as that exhibited by the equalization fee principle. It was twice passed by both branches of Congress and twice vetoed by the President. Another matter worthy of note is that all these proposals were later put into practice, in one form or another, by the AAA.

It became obvious that price-boosting legislation could not be passed over the President's veto. The Agricultural Marketing Act establishing the Federal Farm Board was the result (1929). It was openly a compromise measure—a sleeping powder administered to proponents of direct price-boosting schemes. The board was given, what at that time was considered an exorbitant sum—a revolving fund of half a billion dollars. The board was instructed to drive the agricultural depression to cover. Its weapons were aid to farmer cooperatives through loans at most favorable rates of interest, and as a last resort, "stabilization operations" for the purpose of pegging prices. A Christian spirit dictates that one not dwell at length upon the accomplishments of the board. It failed

to fulfill its official mission. The failure can hardly be laid at the door of the board. It was given an impossible task. Farmer cooperatives, no matter how numerous, robust, and healthy, could not reasonably be expected to cope with a depression arising from causes quite beyond the cooperatives' sphere of influence. Stabilization operations without the power to influence production proved a hopeless undertaking.

The demise of the Farm Board in 1933 brings agricultural policy to the beginning of a new era—a planning era.

Agriculture under the AAA.

March 4, 1933, brought with it new styles in government procedure. Agriculture received an entirely new outfit—something different from what it had ever worn before. This was the beginning of a large body of legislation commonly referred to as the AAA. The outstanding characteristic of the first act was the sweeping authority given the Secretary of Agriculture. For instance, he could (1) lease land, (2) deal in cotton futures, (3) restrict production, (4) restrict amounts offered for sale, (5) license and supervise processors and handlers of farm products, (6) purchase supplies, (7) levy processing taxes in amounts of his own setting.

It is somewhat amusing to recall that previously, by only a few short years, the equalization fee, the export debenture, and the domestic allotment were rejected on the grounds of their being too radical. Soon after 1933 the government put into practice essential features of all these proposals. Together they formed but a part of the enlarged program. It is evident, however, that the discussions surrounding these measures in the twenties did much to pave the way for the agricultural relief legislation of the thirties.

The most significant change during the past 10 years has been the government's direct participation in farm operations. This participation covers a wide range. In the interest of brevity, this discussion deals only with procedures designed directly to influence agricultural prices. Price increases were the prime motive. "Parity prices" were the goal. Parity was defined in the Agricultural Adjustment Act of 1933 as that level of agricultural prices "that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period (August, 1909 to July, 1914)."

In the beginning, weighty emphasis was placed upon the curtailment of production. The desire was to reduce the production of surplus crops by some 40 to 50 million acres. These figures represent well over a tenth of the total area in cultivation. The first year's accomplishments were considerable. Wheat acreage was reduced by some 7 million acres. Over 10 million acres of growing cotton was plowed under, and 6 million little pigs and 200,000 prospective mother sows were slaughtered. The AAA was in time successful in securing the shift of something over 35 million acres from the growing of surplus crops to other uses.

During the first three years of the program a total of 1,136 million dollars was paid to farmers directly in the form of rental and benefit payments. These payments were a reward for compliance with the provisions of the program. The tendency has been for the total rewards to increase and their distribution to be spread over larger numbers of farmers.

It is generally agreed that the restriction of production program did not come up to expectations as a booster of farm prices. This is one explanation for constant changes. Substantial amendments to the act have been added during almost every year of its existence up to the outbreak of the European conflict. Furthermore, the production control features of the act were declared unconstitutional in 1936, partly on the grounds that production control was not a function of the Federal government.

Beginning with the act of 1937, emphasis was shifted from acreage restriction to agricultural conservation. The change in practice, however, was less pronounced than the change in emphasis. The designated soil-depleting crops are much the same as those of restricted acres under the old act. Under the new act rewards are granted for growing less of the soil-depleting crops.

The act of 1938 is the basis of the present program. Its main addition was the ever-normal granary, a plan for accumulating the surpluses of fat years for use in lean years. The ever-normal granary, through commodity loans, is a part of the expanding attempt to influence prices. Acreage control, in whatever form it has taken under the various acts, has not been sufficient to bring about desired price changes. As a result, it has been supplemented by other price-lifting mechanisms, of which the more important are

Commodity loans are designed to put a floor under prices. At present the government will lend to those complying with the programs, 90 per cent of parity on a fairly sizable list of agricultural

commodities. This loan rate furnishes a minimum level below which prices are not likely to drop.

Marketing quotas represent a shift in production control from acreage restrictions to limitations on the amounts marketed. The Supreme Court in 1939 pronounced this to be a legal procedure. If a minimum of two-thirds of the farmers voting favor marketing quotas, then each farmer growing the designated commodity must restrict the amounts marketed to his allotment. Amounts sold in excess of this allotment are subject to a heavy, and what amounts to a prohibitive, tax. Marketing quotas have been applied to cotton, wheat, and certain types of tobacco.

Surplus commodity purchases were designed to strengthen prices by removing a portion of the supply from the regular marketing channels. Some of these purchases were given to the needy through established relief agencies. Larger quantities were distributed through the Stamp Plan and through the School Lunch Program. Another outlet was diversion into commercial by-products. In a few instances, the government has purchased for the purpose of maintaining a "pegged" price. The buying of butter and more recently the purchase of eggs have been with this end in view.

Export subsidies represent another line of attack upon prices through the removal of surpluses. Exports of a number of commodities have been subsidized. Wheat and flour, corn, cotton, and nuts have received the greatest sums for this purpose.

Parity payments were designed to make up for the deficiencies of other methods. They are payments to farmers equivalent to the difference between the amount realized on his commodity and the parity price. Parity payments are confined to the basic commodities—cotton, corn, wheat, tobacco, and rice. They were limited by the amounts annually appropriated by Congress.

In brief, these were the main price-boosting features of national agricultural policy when superseded by war measures. The evidence is clear that the government's efforts fell short of their avowed purposes of raising prices of farm products to parity levels. Agricultural prices as a whole did not average parity until 1942. The programs began in 1933. Even in 1942 the prices of "basic commodities" to which the price-supporting measures were mainly applied were below parity levels.

This experience of the 10 years prior to the outbreak of the war points to some fundamental considerations with respect to farmer attitudes which have a bearing on things to come.

THE ATTITUDE OF FARMERS TOWARD CENTRALIZED GOVERNMENT CONTROL OVER AGRICULTURE

With our entry into the war, price boosting ceased to be the burning issue. Price control took its place. The wartime problem of the government became one of securing increased agricultural production and at the same time that of holding agricultural prices below inflation levels.

The controversy over agricultural subsidies and rollbacks emphasizes rather clearly the opposition of farmers, as expressed through their organizations, to the use of government funds as a substitute for adequate prices in the market place. During the thirties farmers traded "individual opportunity" for "mass security." They are not at all certain that it was a good bargain. A larger and larger portion are beginning to feel that the extended hand of government may become a controlling embrace. There are increasing indications that they do not relish such intimate associations. They find that it is not easy to drop emergency measures after the emergency passes. Administration machinery has a way of continuing in operation after its original need has been met. It seems certain that farmers accepted subsidies together with their accompanying controls as a prop in an emergency, but they do not look upon them as a permanent solution or a means toward a self-supporting agriculture. It is doubtful if postwar planning based upon a high degree of centralized government participation in the operation of individual farms will meet with acceptance on the part of farmers generally. Farmers do not relish being placed in the role of wards of the government. This is an important consideration in the formulation of postwar agricultural policy.

In projecting future plans for agriculture it seems prudent to adopt policies in both national and international spheres that entail a minimum of control and enforced direction on American farmers in the detailed operation of their farms. Such controls have not been effective in the past, and recent indications are that farmers will resist them to an ever-increasing extent when the war emergency is over.

SIGNPOSTS OF INTERNATIONAL AGRICULTURAL PLANNING

The long history of the relation of the government of this country to its agriculture, together with the crystallized attitude of farmers

toward centralized government controls, throws some light on future prospects. Similarly, recent events on the international planning front serve as signposts indicating the direction of future action. In the international field two events are of especial significance: (1) the recent international wheat agreements and (2) the United Nations Conference on Food and Agriculture.

International Wheat Agreements of 1942.¹

Four of the principal wheat-exporting countries—Argentina, Australia, Canada, and the United States—and the principal wheat-consuming country—the United Kingdom—concluded certain agreements in June, 1942, dealing with the control of production and trade of wheat. These agreements have to do with three separate and distinct phases of the surplus wheat problem. All are based upon the assumption that wheat is, and will continue to be, a troublesome surplus commodity. The phases are (1) provisions for a pool of "relief" wheat to be donated by the four exporting nations. This consideration has to do with the immediate postwar period; (2) a commitment on the part of the four exporting countries to restrict production and regulate foreign trade in wheat, including the interim period between the signing of the agreements and the time when the draft convention will be submitted for wider adoption; (3) the formulation of a draft convention to be submitted to all interested countries at the earliest opportunity after the close of the war. The expectations are that the draft convention will win sufficient adherence to make it an effective instrument for stabilizing prices over the long pull. It is put forward as a model which will be used as a basis for consideration in connection with other commodities that are in a state of "chronic oversupply."² This document is designed to implement long-range planning in stabilizing prices on an international level. This is the third attempt in a little over a decade to rescue wheat from disastrous price declines. An international conference of representatives of wheat-exporting nations was convened in London in the summer of 1931. The discussions centered around restriction of exports with a view to influencing world prices. No agreement was reached.

¹ For a full discussion of these agreements, see Joseph S. Davis, *New International Wheat Agreements, Wheat Studies*, Stanford University, November, 1942.

² WHEELER, LESLIE A.: *Foreign Agriculture*, vol. 6, pp. 321-325, September, 1942.

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Two years later in the same city a multilateral agreement was signed in August, 1933, by 22 nations, including both exporting and importing countries. This agreement assigned export quotas to surplus-producing countries. These quotas were intended to restrict the supply of wheat entering international trade. Such limitations implied the necessity of restricting production within the exporting countries. The consuming nations agreed to discontinue government measures designed to increase the production of wheat within their borders. The agreement broke down within a short time. Prices did not rise to expected levels. Consuming nations were able to secure needed wheat at prices lower than those contemplated in the pact, without exhausting the quotas of the exporting countries.

During the first year's operations, Argentina had a larger crop than anticipated. Her sales exceeded the assigned quota. The pact was not renewed at the expiration of its 2-year term. One authority expresses the cause for failure in the following rather positive terms.

The failure of this undertaking was due in part to the fact that instead of adhering to the high purposes of the Conference, the activities of the Council that was set up to administer the Agreement were not free from the meanest kind of strategy to gain advantage for one country at the expense of another. Many of the representatives thought in terms of purely national advantages.¹

But the idea would not down. Officials in high positions in this country strongly advocated an international agreement for the purpose of stabilizing wheat prices. In 1938, Henry A. Wallace, then Secretary of Agriculture, instituted a system of export subsidies, partly with a view to forcing adherence to plans for an agreement to control international trade in wheat. The discussions continued, resulting in the pacts of 1942.

The Draft Convention of 1942.

This draft convention is to be submitted to a future international conference. Its framers look upon it as part of a plan of world economic reconstruction in which all or a major portion of the members of the family of nations will participate. The document is based upon a philosophy of domestic and international controls

¹ TAYLOR, HENRY C., and ANNE DEWEES TAYLOR: *World Trade in Agricultural Products*, New York, p. 262, 1943.

more rigid than any ordinarily experienced in peacetime in the four surplus-producing countries sponsoring the agreement. The extent of the controls is expressed in the following language defining the ends in view:

- (a) for the regulation of wheat production in both exporting and importing countries,
- (b) for the orderly distribution of wheat and flour in domestic and international trade at such prices as are fair to consumers and provide a reasonable remuneration to producers, and
- (c) for the maintenance of world supplies which shall be at all times ample for the needs of consumers without being so excessive as to create a world burden of unwanted surpluses.¹

These ends are to be accomplished through (1) the handling of reserve stocks, (2) production control, (3) export quotas, and (4) price regulations.

Reserve Stocks. The Draft Convention provides for the accumulation of minimum reserve stocks in each of the four exporting countries much in excess of volumes considered as normal under a system of private trade in wheat. The maximum carry-overs permitted are in excess of anything attained until the record-breaking carry-overs of recent years. It seems certain that, whatever the intent, the operation of the plan would tend in peacetimes to perpetuate reserve stocks at uneconomically high levels. Such large volumes of reserve stocks, because of their heavy carrying charges, would probably have to be financed by the governments. It is doubted if the incentive would be sufficient to encourage private undertakings of storage on a commercial basis.²

Production Control. The necessity for production control within an adhering nation is reflected through the export quotas. In general, each exporting country agrees to keep its wheat stocks within the limits of the amount needed for domestic requirements, plus its maximum reserve allotment, plus its assigned export quotas. Should supplies exceed these amounts, the countries agree to reduce production or, at least, dispose of the excess in such a manner as to keep it off the world market. It is the export quota limitations that are designed to keep the excess from burdening foreign trade.

These provisions give rise to considerable doubt in the minds of many who have followed the operation of agricultural restriction

¹ DAVIS, *op. cit.*, p. 43.

² *Ibid.*, p. 43.

programs in the United States. It is in this country that restriction of production programs have found their most enthusiastic supporters in high official circles. It is in this country that such programs have been in extensive operation. As a result of this experience one is forced to conclude that it is most difficult to control agricultural output through official edicts. At the outbreak of the war in September, 1939, acreage restrictions had not prevented burdening surpluses. Agricultural prices at that time were at low levels. The prices of the basic commodities subject to control provisions were at especially low levels, owing to large supplies. This was the situation after six full years of government efforts backed by handsome budgets to boost prices through control of supplies. For instance, in August, 1939:

Corn prices were 59 per cent of parity.

Cotton prices were 56 per cent of parity.

Hog prices were 60 per cent of parity.

Wheat prices were 49 per cent of parity.

Rice prices were 50 per cent of parity.

The control of the supplies of farm products is not beyond the realm of possibility, but it is difficult of application unless control measures are extended to their logical ends—compulsory supervision of all farms, all farmers, and the production of most commodities. It is doubtful if some adhering nations will wish to pay that price. It is not even certain that the farmers of this country would be willing to go that far.

It is not at all clear that the International Wheat Council, set up to administer the arrangements embodied in the agreements, has more than an advisory status in enforcing such provisions. Unless some more positive means are taken to apply production controls, it is probable that the bulk of reductions will be made in low-cost surplus-producing countries, and that deficit-producing countries in Europe will continue production at high cost levels.

Export Quotas. The hub of the program is embodied in the allotment and enforcement of export quotas. The quotas of the four exporting nations are established as a percentage of an assumed 500 million bushels of wheat as representing the amount that should be made available for export. The annual allotment for the United States is 16 per cent or 80 million bushels. These figures were arrived at, presumably, on a basis of actual experience during some past period. The quotas are designed to place limits upon the maximum flow of wheat into foreign trade channels and thus exert

an influence upon world prices. Export quotas have found a prominent place in most international commodity agreements. The explanation lies, perhaps, in the comparative simplicity of their supervision, if not in their enforcement. Since consuming countries are expected to agree not to purchase wheat from nations that have exceeded their export allotments, the enforcement of this portion of the agreements would require that each adhering country adopt export and import control legislation.

One of the costly handicaps of tying controls to the experience of past periods is that such procedure tends to freeze the *status quo* of that period. It prohibits in large measure the beneficial effects of open competition. The development of new low-cost producing areas would be difficult, if not impossible under such a system. Furthermore, the 80-million-bushel allotment for the United States is not likely to furnish much relief in working off sizable carry-overs such as the United States experienced in 1942.

Price Regulations. The 1933 wheat agreement did not attempt to fix prices. The export quotas were expected to boost world price levels materially above those obtaining at the time the agreement was formulated. These expectations were not realized. This experience undoubtedly weighed heavily in promoting the adoption of the price-fixing features of the Draft Convention. By the terms of this proposal the council is directed, once each year in August, to fix minimum and maximum prices of wheat. The adhering governments are expected to agree to prevent the sale of export wheat—or flour—at prices below this fixed minimum and to see to it that wheat is at all times available at prices not exceeding the fixed maximum. The methods to be used in arriving at the fixed prices are not altogether clear except that they are, among other things, to be reasonably remunerative to producers in exporting countries, fair to consumers in importing countries, and in reasonable relationship to prices of other commodities.

The experience of this country in formulating a satisfactory price policy points to considerable difficulty in constructing a formula that will result in prices equally acceptable to both the grower and the consumer of wheat, who are separated by wide differences in nationality, languages, and customs; not to mention the universal desire of the seller to secure much and of the buyer to pay little. Furthermore, our own experience in price control points to the likelihood that minimum prices will at times be well above the level dictated by competitive supply and demand conditions. Such a

situation is apt to make the growing of wheat in low-cost countries so remunerative as to stimulate production and increase the difficulties of controlling the output. One ponders the likelihood of the council's being able to set a price that would be considered reasonably fair by the American producer and at the same time be considered equitable by the millions of low-income consumers in certain Asiatic countries. A price high enough to satisfy the former might easily prohibit sale to the latter. Low prices may be necessary at times in order to move abundant supplies into consuming channels.

The Inter-American Coffee Agreement was designed to bring about satisfactory prices to both producers and consumers. This satisfactory price will cost the American consumer an estimated additional 100 million dollars.¹ It would seem that a sensible price policy should result in prices sufficiently low to discourage production in high-cost areas and at the same time promote the liberal use of a product grown in abundance. It would be assuming too much to believe that such a policy is embodied in the provisions of the Draft Convention.

Some Conclusions. The purpose of this somewhat detailed consideration of these agreements is to point out that official thinking at the moment has marked leanings toward rigid governmental regulation and controls on the international as well as the domestic level. Control of production and price fixing, together with a sort of strait-jacketing of international trade, do not seem to be in harmony with the trend of farm opinion in this country at the present time. Such controls are apt to hamper trade and in the long run discourage consumption of the very product that needs to be moved and consumed in ever-increasing quantities. It is reasonable to predict that the operation on a wide scale of the Draft Convention will minimize the place occupied by private enterprise. The evidence based upon past experience does not warrant one in concluding that governments can in peacetime do a better job in the distribution of this commodity than can private trade. Even farmers in the production end are likely to have to operate along lines laid down in an official blueprint.

The hope is expressed here that the postwar reconstruction program will include, in a prominent way, recognition of the desirability of stimulating private enterprise by means of enlightened

¹ *Ibid.*, p. 68.

self-interest rather than through an ever-expanding program of compulsory restrictions.

UNITED NATIONS CONFERENCE ON FOOD AND AGRICULTURE

The United Nations Conference on Food and Agriculture, meeting in Hot Springs, Va., in June, 1943, set up another signpost along the highway of international planning for agriculture. This meeting of representatives of 43 nations adopted as its goal "freedom from want in relation to food and agriculture." "Freedom from want means a secure, an adequate, and a suitable supply of food for every man."¹ It was further declared that, "we must equally concert our efforts to maintain freedom from fear and freedom from want. The one cannot be achieved without the other."² These are worthy aims. They are also quite an order. In the opinion of the conference, the realization of the ends in view require a great increase in the supply of food and a readjustment of agricultural production in order to secure more of the "protective" foods that are most necessary for good health. Food production and nutrition were twin topics of discussion. Problems having to do with probable food emergencies immediately following the close of the war were considered. But this analysis is primarily concerned with the Freedom from Fear and Freedom from Want programs of the period following the postwar emergencies. Especially are we interested in the proposed machinery for putting these programs into effect. Whereas the major portion of the recommendations have to do with problems to be handled by the separate governments operating within their own boundaries, certain of the recommendations call for joint action. The more important are

Interim Commission. For the further development of its program, the conference provided for the creation of a permanent organization through which the participating governments could "collaborate in raising levels of nutrition and standards of living of their peoples." An interim commission was set up in Washington composed of one representative of each government participating in the conference. One of the main duties of the Interim Commission is that of developing plans for the establishment of a permanent organization and outlining its program of work. The

¹ Final Act and Section Reports, *United Nations Conference on Food and Agriculture*, p. 1, Department of State, Washington, D.C.

² *Ibid.*, p. 11.

Interim Commission ceases to function when the permanent organization has been established.

It will be interesting to watch this development. The International Institute of Agriculture at Rome, established in 1905, largely as the results of the untiring efforts of an American, David Lubin, was designed to perform somewhat the same services as that of the projected permanent organization. David Lubin saw in it an instrumentality for facilitating the collaboration of governments in promoting the welfare of world agriculture. Its activities failed to come up to expectations. The history of the institute, however, does furnish pointers for overcoming some of its major defects.¹

In large measure the significance of the international planning programs of the conference is dependent upon the nature and effectiveness of the permanent organization. Most of the recommendations involving joint action among the nations are referred to the permanent organization for further study to the end that feasible plans be formulated for putting the recommendations into effect.

Achievement of an Economy of Abundance. Under this heading the conference makes certain recommendations that by their very nature imply a considerable measure of mutual understanding and in most cases joint action. They are²

1. That the governments and authorities here represented, by virtue of their determination to achieve freedom from want for all people in all lands, affirm the principle of mutual responsibility and coordinated action:
 - (e) To maintain an equilibrium in balances of payments, and to achieve the orderly management of currencies and exchange;
 - (f) To improve the methods and reduce the cost of distribution in international trade;
 - (g) As an integral part of this program, to reduce barriers of every kind to international trade and to eliminate all forms of discriminatory restrictions thereon, including inequitable policies in international transportation, as effectively and as rapidly as possible.

It is hoped that these reforms will meet with more hearty approval on the part of nations than was accorded them during

¹ For a detailed analysis of the organization structure and activities of the institute, see Asher Hobson, *The International Institute of Agriculture*, University of California Press.

² *United Nations Conference on Food and Agriculture*, p. 24.

decade prior to 1939. They may seem to many to be too difficult of attainment. But to this writer they are more nearly within the realm of possibility than are many of the other recommendations designed to be carried out by the countries acting independently of each other.

International Commodity Arrangements. The unqualified proposal to free international trade of its accumulated barriers and restrictions is in marked contrast to the provisions of the International Wheat Agreements. Most international commodity agreements impose additional restrictions on international trade. But on this point the conference did not seem ready to take a definite stand. It went on record advocating the favorable consideration of international commodity arrangements, but stated that

further study is necessary to establish the precise forms which these arrangements should take and whether and to what extent regulation of production may be needed.

To this end the conference recommended that

3. International organization should be created at an early date to study the feasibility and desirability of such arrangements with reference to individual commodities and, in appropriate cases, to initiate or review such arrangements to be entered into between governments, and to guide and coordinate the operations of such arrangements in accordance with agreed principles, maintaining close relations with such programs as may be undertaken in other fields of international economic activity to the end that the objective of raising consumption levels of all peoples be most effectively served.

Some Observations. Few will quarrel with the high purposes of the conference. Few will fail to appreciate the difficulties of their accomplishment. These difficulties should not be minimized. Increased consumption of a commodity or group of commodities in most cases involves an increase in the general ability to produce other commodities, not only on the part of those supplying the first commodity, but also of those who consume it. Increasing the general productive capacity of the mass of food consumers is no light task. There are many of them. Economic progress does, however, depend in considerable measure upon the accomplishment of that task. It will be slow work. It is doubtful if production can be increased to anything approaching necessary

levels under a system designed to guarantee freedom from want. Something like two-fifths of the world's population live in China and India. The conference did not indicate by what means the productive capacity of these people is to be increased in such a manner as to provide for even their minimum needs.

The conference seemed to overlook one rather important consideration. Want is a major incentive to greater efforts in production. Most people work because they must if they are to enjoy any considerable freedom from want. Want, in moderate degree at least, is the mainspring of productive activity. Most of us believe that it is possible to provide an economy in which people will be better fed. But it does not follow that "freedom from want" furnishes the most effective, or even a realistic, approach.

In which direction do the signposts point? Certainly, the wheat agreements promise increased governmental controls in both the international and the national arenas. The United Nations Conference was not so positive. Most of its directives may be considered as sincere advice to the governments of the participating countries regarding purely national action. In the international domain it advocates less, rather than more, control with respect to foreign commerce, with the exception of its somewhat qualified endorsement of commodity arrangements.

For the most part the effectiveness of the international planning program of the conference depends upon the vigor and stamina which its offspring, the permanent organization, is able to develop. It is hoped that its efforts will be directed toward the reconstruction of international trade policies designed to encourage foreign commerce in ever-increasing volume. The first step in this direction would be the removal, or at least the partial removal, of the accumulation of trade barriers. The conference commits this task to the permanent organization for consideration and action.

POSTWAR PROBLEMS IN AMERICAN AGRICULTURE¹

At the end of this war the productive capacity of agriculture in this country will surpass all previous records. Agricultural output in 1943 was 33 per cent above the 1935-1939 average, but this is probably at a level higher than will be maintained under normal economic and weather conditions for some years to come. For

¹ The author gratefully acknowledges the assistance of his colleagues, Prof. R. K. Froker and L. A. Salter, Jr., in the preparation of this section.

the most part the increased capacity is geared to war needs. Complete data are not available on the amounts of agricultural products used for war purposes, but it is known that goodly portions of the total output of certain commodities such as cheese, butter, evaporated and powdered milk, canned fruits and vegetables, and meats are being purchased for military and Lend-Lease purposes.

Immediately following the cessation of hostilities there will no doubt be a continued wartime demand for farm products to feed the undernourished people in the warring and the occupied countries. This demand will be financed largely by government. It is expected that the period of subsidized exports will be from 1 to 3 years' duration.

As men and women in military service transfer to civilian life, their demand for food will largely accompany them in contrast with the virtual cessation of the demand for armaments. This fact, together with the extensive postwar need for food in the distressed countries, is likely to furnish a basis for false notions as to the ability of agriculture to adjust easily and quickly to a peacetime basis. This same situation may lead to proposals of doubtful validity with respect to the ability of agriculture to absorb large numbers of men and women in postwar rehabilitation plans.

If full employment is to contribute its maximum to the general standard of living, most of those now in service must be absorbed in industry. Once the distress needs for food are met, the main unfilled demand will be for industrial goods and personal services. These are the items which are restricted most severely during the war period. American farms as a whole had more than an adequate total supply of labor before the war. They normally have a surplus population resulting in a movement from the farm to the city. Any proposal to move large numbers on to the farms as a postwar measure needs to be considered with exceptional care.

If full employment is to result in sound prosperity, it should be accompanied by an intelligent, long-term program with respect to the efficient utilization of our natural resources. These resources should be conserved and utilized in such a way as to yield their maximum toward the fulfillment of human needs. The wartime rate and methods of production are exhausting our soils, our mines, our forests, and our oil supplies. This rate of use is probably a necessity in time of war but is hardly justifiable in time of peace. Moreover, any peacetime prosperity that wastes or unduly exploits capital goods is false prosperity for the nation.

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Agricultural leaders have for many years sought a balance between agriculture and other groups in society. Their efforts are exemplified in the parity concepts with respect to prices and incomes. A sounder concept would be to seek this balance in equality of opportunity among all our people and let each person and each group earn rewards in proportion to its productive contributions. Equality of opportunity presupposes that people and goods will move with a minimum of restrictions from one part of our economy to another and from one part of our nation to another. New opportunities must be open to all. Opportunity to work and to enter business and professional careers must be open to all who are competent. The application of these broad considerations and their relationship to agriculture are discussed in the succeeding paragraphs.

Immediately following the war, there promises to be a period of high demand caused by the accumulated wants resulting from war privations. This, in the expected course of events, will be temporary. At its close, agriculture may be faced with a drastic and prolonged depression. The same limitations that prevent rapid expansion in total agricultural production also operate to prevent rapid contraction.

Events since the close of the First World War furnish a pattern of reasonable expectations of the course agriculture will follow, unless action is taken to prevent its reoccurrence. The likely sequence is somewhat as follows: (1) the shift from a war to a peace-time economy will result in *decreased industrial activity*, which in turn (2) will *lower employment*, which will bring about (3) *decreased industrial pay rolls*, resulting in (4) *reduced purchasing power* on the part of consumers. This will be reflected in (5) a *drop in farm income* as prices fall more rapidly than farm expenses. A prolonged drop in farm prices will probably be followed by (6) *lower land values*, (7) *more tax delinquencies*, and (8) *increased farm foreclosures*.

The end result is the necessity for agricultural relief—a situation to be avoided. Farm relief is not a solution. A permanent agriculture demands returns sufficient to provide an acceptable American standard of living to reasonably efficient farmers. One of the shortcomings of some of the agricultural relief measures is that they have attempted to guarantee a living to all who choose to farm. It is to the best interests of both the farmer and the public that agriculture be placed upon a self-supporting basis. Postwar

plans should be directed toward this end. The following proposals are formulated from this point of view.

Fairly Full Employment in Industry.

Full employment in industry is of great importance to agriculture. It is essential from the standpoint of (1) supplying consumer purchasing power for agricultural products, (2) providing occupational outlets for those in rural districts who do not care to farm or are not adapted to farming, (3) having large quantities of industrial goods available for exchange for farm products.

Low consumer purchasing power during the decade of the thirties has been agriculture's number one problem. It has been fairly well established that people spend more for food as their incomes increase. Consumption studies indicate that families with incomes of \$500 to \$1,000 per year spend nearly twice as much for food as do families receiving less than \$500 per year. This same trend continues but rises less steeply with families in the higher income brackets. For instance, families with incomes of \$2,000 to \$3,000 per year spent, in 1936, over \$50 per person per year more for food than did families with incomes of one-half that amount—\$1,000 to \$1,500.

The government reported that, in 1936, there were 20 million people living in families receiving some form of government assistance who spent on the average 5 cents or less per person per meal. Therein lies one explanation of the agricultural depression. Agriculture has not been able to prosper on 5-cent meals.

Agriculture has always supplied industry and commerce with a fair proportion of its recruits. Failure of industry to absorb the rural surplus population during the depression tended to back up on the land more people than farming was able to support. We have too many farmers for peacetime needs. They will continue to increase in population numbers faster than rural areas can absorb the increase. The farm population net reproduction rate is almost twice that of the urban population. Here are some impressive figures.

In 1870 one-half of all workers were engaged in agriculture.

In 1940 one-fifth of all workers were engaged in agriculture.

During the same period per capita agricultural production continued on about the same level. That is, one-fifth of all workers produced about as many farm products for every man, woman, and child in the United States as did one-half the workers 70 years

earlier. This increased production per man-hour on the farm is being speeded up during the war. Technological improvements will continue to spread the labor of one man over more acres. That is why agriculture must depend upon industry to absorb the excess farm population.

Fewer people and more industrial goods on farms would greatly improve the agricultural situation. Large supplies of industrial goods to exchange for agricultural products are dependent upon fairly full industrial employment in the production of these goods.

During the thirties total agricultural production was maintained. In fact, agricultural production was at an all-time high at the outbreak of the war in 1939. During this 10-year period agricultural prices hit new lows. In industry the reverse happened. Production declined but prices were fairly well maintained. It is doubtful that farmers can secure a balance between agriculture and industry by attempting to follow industry's example of not producing. There is reason to doubt if a reduction of total production can be turned to a profit for the farmers. Hence, it is to the farmer's interest that industrial production be maintained in order that there be more industrial goods available to exchange for more farm products. A fully employed industrial plant and a fully used farm plant are far more desirable than a reduced output from each.

American Agriculture Is Dependent upon Foreign Markets.

A minimum requirement for a self-supporting American agriculture is the recapture in some degree of lost foreign markets for agricultural products. Before the depression our farm plant was geared to the foreign market to the extent of about one tilled acre in six. The products of one acre out of six went abroad. For a number of commodities—notably cotton, wheat, and tobacco—the percentage of domestic production exported was much higher. For certain commodities such as cotton, it seems certain that for many years to come the United States will produce in excess of domestic consumption. For such commodities foreign outlets are an imperative part of any plan for a self-supporting agriculture. For this reason it is hoped that the American people will lend their support to policies designed to lower trade barriers and permit a freer flow of commerce among nations. This involves the troublesome questions of how much and how long this country should protect from foreign competition commodities that can be produced more cheaply elsewhere.

Removal of Trade Barriers.

Agriculture is probably more competitive than any other major branch of our economy. At best, efforts to control prices and output have not proved satisfactory as a long-run solution. For many years agricultural leaders opposed industrial protection and favored freer markets for both agriculture and industry. As efforts along this line have been frustrated, agriculture has naturally lent its support to protective and restrictive programs tailored in its behalf. A much sounder policy would be for our state and Federal governments, and our public generally, to work toward more competition rather than less. In cases where monopolistic size is essential to efficiency, then regulation should supplant competition.

The Federal government was founded, in part, upon the premise of free and unrestricted commerce among the states. Adherence to this policy is necessary to the development and maintenance of the highest standard of living. Yet within the United States there are many barriers to free exchange of goods and services. Most of these are built on the mistaken notion that it is desirable to curb or shut out the competition of products and services of other groups, of other communities, and of other states. Some of the barriers arise in the form of taxes, health restrictions, inspections, fees, price control, and related administrative decisions. Regardless of the merit of their purported intent, these restrictions in the aggregate are a serious handicap to free exchange of goods and services. Certainly their economic effect on our economy as a whole is adverse.

No hard and fast rule can be laid down with respect to trade barriers, except to state that the economic effects should be weighed when any additional barriers are proposed. Moreover, present restrictions, regardless of their intent, should be carefully studied and modifications made wherever possible to permit the free movement of commerce. Standardization of requirements such as health laws, grading, packaging, and quality requirements among states will aid in promoting the movement and exchange of goods.

Another type of trade restriction arises from legislation and administrative decisions that prevent the development and adoption of new products, new or simpler methods of marketing, and new types of packages and containers. Examples of this type of restriction are to be found in some price-control measures and certain taxes

that have tended to delay the adoption of simpler and more efficient methods of distribution and the passing of the savings on to consumers.

Still another type of restriction to progress is to be found in our patent system which has for its very purpose the promotion of discoveries, inventions, and innovations. That our patent system has effectively served this purpose is reasonably clear, but the evidence also shows that the granting of exclusive patent rights has frequently retarded the adoption and general use of many new discoveries.

Land Policy.

Far-reaching changes may be expected in the tenure and utilization of rural land during the war and in the postwar period. Serious attention should be turned to these adjustments, for land problems, once they arise, are tenacious and extremely difficult to resolve. Preventive and constructive planning must be initiated well in advance, as corrective measures are both slow and costly. Coming problems of land policy may be divided into four groups: new settlement, farm transfers, human relations, and resource conservation.

New Settlement. After every war there is a demand for colonization and settlement projects to establish war veterans on new farm units. Past experience with such schemes clearly emphasizes a policy of caution. Under patriotic slogans, soldier settlement proposals may provide the holders of worthless land an opportunity to sell their property and offer local boosters a chance to populate their neighborhoods. More often than not, such ventures, however heavily subsidized by the public, prove to be ungenerous devices for aiding returned soldiers.

Rural zoning ordinances should be drawn up to prevent the exploitation of veterans or unemployed workers through private sales of land for farming in areas that are submarginal for agriculture. Any new land settlement projects should be critically restricted and should be approved only if produce can be raised and put on the market from such lands without subsidy and at less cost than from areas already in production. The costs of preparing any new lands for settlement should be borne by all who may benefit by the development and not only by those who actually farm the land. Finally, it should be remembered that new land settlement is extremely expensive; a conservative estimate of the cost of a fully developed farm in the new Columbia River Basin is \$10,000, and this figure does not include provision for roads, schools, and other public facilities.

A second form of new rural settlement may be anticipated on the outskirts of our industrial centers. Many rural areas will be transformed into segments of the rural-urban fringe as postwar provision of housing facilities for urban workers is made possible. In addition, the resumption of normal recreational activities on the part of urban people will expand this phase of our rural economy. It is important that coordinated rural-urban land planning should pave the way for the orderly accomplishment of these adjustments.

Farm Transfers. In the postwar period, there is sure to be a heavy volume of transfers of land already in farms. Already, during the war period, there has been a speeding up of farm transfers. Some of these purchases represent the expansion of existing farm units, some are purchases by former farm tenants, others represent purchases by urban and rural investors.

In the postwar period transactions in farm real estate will increase. Already, a high proportion of farm operators are in the advanced-age groups. These farmers and many younger ones will have cleared their properties of debt during the wartime prosperity, and they will be both able and willing to sell their farms and to retire. Against this readiness of the sellers, there will be an ample number of willing buyers—returned soldiers and former workers in war industries who will have been out of farming during the war period.

A central problem will be whether these land transfers will be able to take place without setting off a boom in land values that would burden the future cultivators of the soil with an inflated debt. The possibilities of such a land inflation are augmented by high prices for agricultural products and increased incomes of farmers during the war period. A sharp jump in land values will also attract purely speculative purchasers into the farm real-estate market, thus adding to the creation of severe land value inflation.

The least that is needed is an intensive program of education to urge those who really expect to become operating farmers to withhold actual purchases of land for a period of time beyond the armistice. More extreme proposals for dampening the coming land boom should be weighed; they include proposals for regulating farm-purchase money mortgages, land transfer taxes, resale gains taxes, and other public controls over the farm real-estate market.

Human Relations. It is quite likely that in the postwar period there will be a greater distinction than ever between those who own farm property equities and those who till the soil. In view of the traditional American ideal of independent farm owner-operatorship,

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these trends have important social significance. Thus far, the long-time trend of American agriculture has been away from owner-operatorship, yet almost nothing has been done directly to halt the trend or to prepare for the transition to a socially acceptable non-owning farmer economy.

Countries that have tried to buy their way out of farm tenancy have thus far succeeded only in putting the cultivators under an impossible debt. Countries that have established a stable tenant economy have done so only after years of trying effort. Now is the time to begin to face these problems in America.

A minimum state program calls for the establishment of a state farm tenancy and farm labor committee to prepare recommendations for modernizing landlord-tenant relations, and farm labor legislation that will offer protection to the tenants and laborers, advance the efficient operation of our farm plant, and promote the proper utilization of our land resources.

Resource Conservation. Attention to the proper social utilization of natural resources should be a continuing responsibility of the states in peace and in war. But under wartime emergencies natural resources have to be expended at rates far beyond those required in peacetime. In the postwar period, it will be necessary once again to take stock of the condition of our natural resources and to institute programs of planning resource utilization.

Public Policy with Respect to Marketing.

The public generally subscribes to the theory of promoting efficiency in marketing and to the desirability of narrowing the margin between producers and consumers. Efficiency is in the interest of the public, provided the savings go in large measure to competitive producers and to consumers.

In a preceding section emphasis was placed on the removal of restrictions hampering the exchange and free movement of commerce and upon the removal and control of monopolistic practices. Removal of such restrictions is, likewise, essential to efficient marketing and distribution.

In this field the states can do much through their educational research and regulatory activities. They have many opportunities to promote increased efficiency in the processing and distribution of farm products and in the improvement of marketing practices.

The two most important functions from the standpoint of costs and margins in the marketing of food products are (1) the local

assembling and processing and (2) the retailing to consumers. This does not mean that other marketing functions are unimportant or that they do not offer opportunities for improvements. The point simply is that the two large segments of distribution margins are to be found at the producer and the consumer ends of the marketing channel. It is at these two points that the greatest opportunity exists for reduction of marketing spreads. Developments along this line are taking place where competition is active and where it takes the form of efficient operation rather than merely a duplication of service. The possibility of cooperative effort among farmers contributing to efficiency in the assembling and processing of farm products is well known. Much, however, remains to be done. Cooperative effort is also being felt in the retailing of farm supplies and gasoline in rural communities, and to some extent in household supplies.

Efficiency in retail distribution requires not only sound practices within the individual establishment, but also larger and fewer retail units, closely integrated and coordinated with wholesale and jobbing functions. Further developments along this line are possible both in private and cooperative organization. Public policy with respect to the retailing of food products should not prevent developments of this type.

Agricultural Education and Research.

One of the greatest possibilities for the advancement of farmers as a class lies in their increased efficiency. Efficiency is measured in terms of larger output for the resources—land, labor, and equipment—expended. Increased efficiency is dependent in no small measure upon the training of the farm operator. More and better training is needed. By some means, the proportion of farm youth as compared to city youth who attend high school should be markedly increased. There is great need for vocational agricultural teachers in more high schools. The research and extension work of the state agricultural experiment stations and the state agricultural colleges should be strengthened. These measures would do much toward increasing the general level of agricultural efficiency.

Since the farm population is likely to continue to increase in greater numbers than can be employed on the land, it becomes highly important that the educational facilities readily available to farm youth fit those who do not care to farm for skilled occupations in commerce and industry.

CHAPTER V

TAXATION AFTER THE WAR

HAROLD M. GROVES

INTRODUCTION

Probably the safest generalization to make about public finance in the postwar period is that there will be more of it. This will be true regardless of the direction in which the political pendulum may happen to swing. Neither party, nor any faction in either party, can escape the high fixed charge of the war debt. Neither party can escape the maintenance of a new high level of outlay for military purposes, and this will be true whether we return to isolationism or accept a leading role in cooperative efforts to maintain the future peace. The trend toward the expansion of the "social-service" state may be reversed, but the party or faction in power will need to make concessions to the demand for broader and more generous social security. At least, the ground gained in this direction is not likely to be surrendered. The strong political power of farmers and veterans, to which government was very responsive during the thirties, is not likely to lose much, if any, of its effectiveness.

Without stopping to analyze the account further, it can be said conservatively that the postwar Federal budget will probably run to at least 20 billions of dollars expenditure. This compares with an outlay of 9 billion dollars in 1939 and a maximum tax-raising achievement in any peacetime year—barring 1941—of 5.7 billion dollars in 1920 and 6 billion dollars in 1938.

These prospects are no occasion for equanimity, but it is reassuring to recall that after some previous wars most economic indexes became stabilized at levels at least double those of prewar days. Our productive powers, as well as our debt and our new responsibilities toward world security, have increased during the war. If we are fortunate and wise enough to apply all our potentialities to the task, we may develop a volume of income that will enable us to take so large a budget in stride. However, if it were necessary to contemplate a return of prewar levels of production (and especially those of the middle thirties), the prospects would be very black.

A few revenue and expenditure statistics for different years will help to place the problem in perspective. During the 10 years following both the Civil War and the First World War, Federal public expenditures exceeded those of the 10 years preceding the war by more than five times. The size of the national income doubled from 1913 to 1925. In 1939, total national income was 71 billion dollars and the total personal tax bill was 1 billion dollars. In 1944, estimated national income had risen to a new high of over 150 billion dollars, while personal taxes were rising 16 billion to a 1944 total of 17 billion dollars. Federal revenue in the fiscal year 1933 was a little more than 2 billion dollars. Our tax system is estimated to yield 47 billion dollars a year under the 1944 act at 1944 prices. At present levels of income and tax rates, the personal income tax alone would shoulder over three-fourths of a conservatively estimated postwar budget. More ominous is the fact that the Federal budget has run to deficits consistently for 14 years and, during most of these years, has shown receipts of less than half the amount of expenditures.

ISSUES OF POSTWAR FISCAL POLICY

Concern over the public debt is increasing and the subject is certain to be a lively and contentious one in the postwar years. Great difference of opinion is already expressed as to whether the prospective total of obligations is alarming and as to what should be done about the matter in any event. The sensible view, as already suggested, seems to be that the debt can be serviced without great strain, provided national income can be maintained at or near wartime levels. Of course, the proviso is a large order. It is significant that the debt is all internal—that it will be paid *to our people* as well as *by our people*. If the debt were distributed according to the income of taxpayers, the simplest of all capital levies, namely, an increase in the level of the income tax, could be employed to eliminate the debt at will. But the distribution of the debt departs widely from the pattern of income distribution and much of it is concentrated in the hands of banks and other financial institutions. Under these circumstances, substantial redistribution of income may be involved in servicing and retiring the debt. This redistribution may place a severe strain upon the tax mechanism, already charged with a heavy load of other obligations. Even though some of the tax receipts return directly to citizens as debt

service payments and the remainder return to the income stream as payments to the factors that provide us with public services, there is likely to be a limit to taxable capacity. This limit is imposed by the inability of the tax mechanism to transfer successfully more than a certain proportion of the national income. The mechanism has been known to stall and to clog. Because we accept the high national debt—much the highest in relation to our resources with which we have had to contend—as a bearable load, it does not follow that we can go to the other extreme and call it a blessing. If we could wake up tomorrow morning and find that 90 per cent of the national debt had disappeared and had existed only in a dream, we would have plenty of cause for rejoicing and for calling the sleeping vision, if not a nightmare, at least a bad dream.

What can and should be done about the debt? Few, if any, critics have advocated repudiation, and it can be dismissed as unacceptable. There is some support for the issuance of non-interest-bearing government notes to replace at least that part of the debt owed to banks. Much the same end could be accomplished by the use of the Federal Reserve Banks for refunding Federal obligations. But to accept this means of escape is to cast aside a disciplinary safeguard and to pave the way to the Treasury for Townsends and veterans. It is conceivable that the risks involved in such a procedure might be less than those of a rapidly mounting interest load. However, this solution could be recommended only as a last resort. A considerable further rise in prices after the war is very likely (a conservative rise is probably desirable), and it will ease the weight of the debt load to some extent. As stated before, there is reason to hope that the tax system will be equal to the task of at least servicing the debt. It is conceivable that it can do better than this and, if such is the case, we had better follow the course of the twenties and accept a program of gradual and moderate retirement. Since more debt may be anticipated if and when business conditions go sour or when international complications recur, there is special reason to conserve the public credit when times are good.

Heavily involved in the problem of fiscal policy immediately after the war will be the issue of extending government aid and credits to the war-devastated areas outside the United States. Both economic and political ends can be served by a generous participation in the rehabilitation program. How long our aid will be required, how much of it will be needed as relief rather than credit,

and how much of the latter should be provided by government as contrasted with private sources, are matters that cannot be fully predicted in advance. Presumably the government's role can be confined to the initial phase, but it (and the hang-over of extraordinary military operations) will preclude any attempt even to stabilize the debt for several years after the war is over.

Private business has accepted the challenge to its ability to provide reasonably full employment after the war, and it should be given every fair chance to succeed. The fair chance should include an atmosphere conducive to business confidence. If business is made to feel that its welfare is no longer the concern of government, then the latter will probably have to adjust its program to a continually shrinking private economy. Because of deferred demand and purchasing power resulting from the war, the prospects for the immediate postwar period are very good. Unfortunately, maintaining a high level will be much more difficult than obtaining one, and it will be the former rather than the latter which will subject free enterprise to its real test.

Reasonably adequate social security depends to some extent upon the tax base that a healthy private economy can supply. At the same time, an expanded social security program would facilitate a dynamic economy by protecting individuals who are the victims of economic changes, thus reducing resistance to such changes.

The favorable prospect of maintaining the public debt and keeping it within practical bounds after the war does not allow for reckless expenditure of public funds at the behest of all kinds of pressure groups. A healthy respect for the value of a dollar, whether in public or private hands, is an attitude that will need constant cultivation.

During the thirties, taxation itself became something more than a means of financing public services. It became an element in the great new strategy called "fiscal policy." A program of increasing personal income tax exemptions and decreasing rates during bad years and of reversing the procedure during good years now has considerable support. At the very least, we might resolve to maintain rates and exemptions over the business cycle. This would be a sharp departure from the practice of the twenties and thirties when the tax load was drastically reduced during a boom and substantially increased during a severe depression. Although manipulation of the tax system as a means of cycle control has important limitations—*inertia to rapid changes, for instance*—this

is likely to prove a more effective control in the future than manipulation of interest rates.

The use of taxation as a cycle-control device contemplates a cyclical budget (small surpluses in good years offsetting small deficits in bad years). The cyclical budget involves difficulties of its own, but they are of less weight than the perverse effects arising from the supposed obligation to raise tax rates when depression clouds gather. Budgets should be balanced when production and employment are good and more than balanced when economic conditions are excellent. The policy of balancing the budget regardless of economic levels is likely to be unsuccessful in any event and it could seriously aggravate a depression.

However, it may be necessary, in order to maintain a reasonably full level of employment, for the government to embark upon a public investment program of considerable size and duration. Adequate opportunity to earn a livelihood should be a first obligation upon any postwar government. In the unlikely event that the early postwar period should resemble the thirties much more than the twenties, it will be necessary to expand the public debt substantially and steadily. Under these circumstances, safety and discipline could be retained if the expanded debt were not of the dead-weight variety but were secured by productive assets. This would involve the development of the extremely difficult techniques of public investment. It would be a risky enterprise but, as an alternative to prolonged and widespread unemployment, one well worth trying.

A large potential field for public outlay in such lines as housing, public health, transportation facilities, and river development offers attractive possibilities for public investment. If these projects are to be financed by borrowing and are to be investments in any true sense, each one must be budgeted and amortized like a bank loan. They must be planned with care and discipline so that direct collections from those who receive direct benefits from the projects, plus indirect collections from an enlarged tax base, can and will create a closed circle of outlay and income. This involves the development of new budgetary techniques and the consistent support of a long-range program. Such an attempt will seem fantastic to many, but it is a better prospect than another Works Progress Administration (WPA), wholesale unemployment, the issuance of noninterest-bearing government notes, or the reckless expansion of dead-weight and unsecured debt.

The timing of tax changes at the close of the war should and probably will be guided substantially by the effects such modifications might have on prices. The period immediately following the war is likely to be the one in which inflation will be most dangerous. Purchasing power will continue to press upon a short supply of civilian goods. Clamor for a reduction of war taxes and a surrender of wartime controls will be voluminous. One of the taxes first slated to go will be the excess-profits tax. This tax was designed as a wartime levy and probably should not be retained in the peacetime tax system. But to abandon it immediately at the close of the war would be a signal for further tax concessions and a surrender of price controls. The profits tax is not directly a very effective deflationary measure and it even has some inflationary tendencies, but it is a cornerstone in the price-control structure. On the other hand, the immediate repeal of the excess-profits tax might be reassuring to business, and, with a hang-over of diffidence from the thirties, business may have some need of encouragement. A rapid and wide reconversion to the production of civilian goods would itself be a remedy for inflation. The way out of this difficulty seems to be the immediate repeal of the excess profits tax to take effect a year or two in the future. This would give business the requisite reassurance and at the same time avoid undermining the controls. Here is but one example of the modification of tax policy to suit fiscal policy ends. A skillful timing of tax changes in the postwar period can do much to reduce the pains of transition from war to peace and to promote a high level of employment after the war.

Postwar tax programs should give increased attention to their effects on production. This is a sizable subject, to which our attention may now be turned.

TAXATION IN RELATION TO PRODUCTION, INCENTIVES, AND EQUITY

That the effect of taxes upon production should be taken into account in choosing among tax alternatives has long received some recognition. But this canon of taxation is likely to come into its own after the war. This is because production in the postwar period will be of critical importance. High levels of employment and production not only are ends in themselves but they have become essential to provide an adequate tax base. Because taxes, in large degree at least, must come out of surplus after the maintenance expenses of capital and labor have been deducted, doubling

the national income much more than doubles the taxable capacity of the nation. There will be little dispute about the importance of nurturing the tax base and encouraging production, but there may be much disagreement as to the kind of tax system, if any, that will do this job.

A tax system designed to impede production as little as possible should conserve the resources of the country, including the human resources; it should correct (certainly not aggravate) a tendency toward too much saving and too little spending and investing; and it should protect the incentives that draw forth needed economic activities.

The necessity of conserving resources is obvious. A sensible nation does not skimp the food rations of its army. Both during war and peace, the country's productive personnel as well as its regiments are "in the army" in the broad sense.

As to the tendency toward redundant saving, it should at least be recognized that there is no necessary relationship between what a nation's businesses and individuals desire and are able to save and what its industries require as new capital. The view that these factors must be balanced through adjustments in interest rates is no longer tenable. Saving is rather determined by the national income, the distribution of that income, and the need and willingness of people to provide for their futures. There is no clear evidence that oversaving need be an important and persistent problem even in a country as rich and highly developed economically as our own. As recently as the twenties, when conditions could not have differed so greatly from those of the present, few people considered oversaving any problem at all. The principal basis for present fear of an unbalanced postwar economy, with attending widespread unemployment, is the prospect of oversaving. This prospect has enough plausibility to warrant a tax system which would correct rather than aggravate the problem if it should turn out to be real.

However, the problem does not end with this conclusion. A highly progressive tax system would undoubtedly reduce the supply of savings. But what about the demand? To some extent investment is a function of the market, and a wide distribution of purchasing power would provide the basis for expansion of productive equipment and housing. However, much expansion must anticipate consumer demand and it creates such demand as it goes along. Expansion in anticipation of consumer demand depends in large

degree upon incentives to invest and confidence in the prospects of business profits. The tax system must thus seek to ensure an adequate market for our enormous postwar production potential and it must also seek to preserve adequate incentive for investment in equity capital. These approaches may seem to clash head on but there are modifications of the tax system that will support one without weakening the other.

Quite aside from the interest in checking oversaving to facilitate production is the interest in reducing inequalities for its own sake. No tax program in the postwar period will have a reasonable chance of stability unless it is compatible with the conscience of the American people. And that conscience is likely to be more rather than less sensitive to large inequalities than heretofore. Where this interest in "equity" conflicts with that in incentives, as it often does, one or the other must be given the right of way or the two must be compromised. Fortunately there are many needed changes in the tax system that involve no conflict of these interests at all. A distinction can be drawn between wealth and business; the latter provides employment and must be guarded if a mixed economy is to survive. It is not illogical to advocate lighter taxation for business and higher taxation for wealth.

Some contend that the *degree* of taxation is the factor vitally affecting incentives and that the *form* is of secondary importance. However, this view is probably invalid. "There is more than one way to skin a rabbit" and, although this saying should not be applied too literally to the taxpayer, it does properly suggest the importance of applying the tax mechanism with skill.

That the American tax system has been constructed with little regard for incentives is evident to anyone who takes the trouble to examine it. To cite a few examples, we may begin with tax-exempt securities. Here is a case where tax privileges are given the most secure of investments, with the result that their yield, for an investor with a large income, is equivalent to that of the most lucrative stocks after taxes. Then there is the matter of business losses. The payment of income taxes on current income for companies that have accumulated losses really comes out of capital. A company that has impaired its capital in past operations really has no net income until the impairment is made good. Fear of loss may be more important in motivation of the businessman than hope of a high degree of positive profit. It is true that our income tax laws now permit a carry-over of net business losses

for two years. And the 1942 revenue act permits a carry-back of such losses for an equal period—much the most generous allowance that has ever been in the American law. But from 1933 to 1938, when losses were greatest, no carry-over at all was allowed; and our present period is short compared with that of the British, who permit net losses to be carried forward for 6 years. Evidence indicates that, during the thirties, a 6-year carry-over would have been insufficient to allow full credit for losses to as many as two-thirds of our capital-goods companies. Considerations of both equity and incentives support the use of a much longer period than a calendar year in arriving at the relative taxpaying capacity of different business enterprises.

The duplication of business and personal taxes is also bad for incentives. The corporation pays one tax upon the corporate earnings and the stockholder pays another upon the dividends he receives. Whereas the incidence of the corporate income tax is not a subject to be handled with any high degree of assurance, the consensus supports the view that the ultimate burden of the levy is on the stockholders. At all events, it is clear that inanimate objects cannot bear taxes and that the ultimate burden must be passed on to individuals. The duplication in personal and corporate taxes is at the expense of the most strategic element in the national income--namely, profits. It is true that this element is also the one most given to concentration in distribution. But the graduated personal tax should take care of the interest in "equity," and it is not necessary to add duplication.

The corporate tax is also objectionable from the incentive standpoint because it throws the weight of the tax system behind financing with bonds rather than with stocks. This is due to the fact that bond interest is deductible in calculating the base for the corporate tax and duplication is confined to the profit element. Excessive bond financing decreases the ability of companies to meet emergencies.

From the equity standpoint, the business tax interferes with the operation of the graduated rate in the personal tax system and fails to differentiate between rich and relatively poor stockholders. Confusion as to incidence in business taxes is also objectionable.

The corporate income tax is defended as a progressive element in the tax system on the ground that it comes mainly from the pockets of rich people. *A* has an income of \$20,000 from dividends, *B* has the same income from interest, and *C* the same amount

from a salary. Defending a much larger tax on *A* than on *B* or *C*, with the argument that *A* is rich, exemplifies the sort of irresponsibility that ruins economic morale.

The British use a corporate tax mainly as a withholding levy on profits paid out as dividends and an advance payment for stockholders on profits retained in the business. The stockholder is credited, when profits are distributed, with corporate taxes paid on his behalf. It seems highly probable that the British system, while notoriously "tough," avoids repressive features of our own practice, and we might well move to follow their example in integrating personal and corporate taxes after the war.

The high surtaxes in the personal income tax are objectionable from the standpoint of incentives, but they are potent tools for preventing the concentration of wealth and power. They do cut down the differential between the returns from risky and safe enterprises and tend to encourage investment in the latter at the expense of the former. Some concession to the incentives might be made without much, if any, sacrifice in "equity" by balancing conservative reductions in income surtaxes against substantial strengthening of death taxes. Death taxes probably involve less danger to incentives than income taxes. The fitness of the heir to serve as "trustee" for large amounts of social wealth is mainly a matter of chance.

Some critics of the tax system have thought that it should be radically recast to offer suitable rewards and penalties for desirable and undesirable economic conduct. The term "incentive taxation" has been coined to describe certain proposals of this character. Instead of heavy taxes on industry, employment, and efficiency, they would levy on sloth, unemployed capacity, and inefficiency. It seems to the author that the practical application of taxation as a goad to the economic virtues is likely to be quite limited. It is extremely difficult to avoid imposing taxes upon productivity, for the latter supplies the wealth that the Treasury requires. Probably the most sensible form of incentive taxation is a well-balanced tax system. Productivity is the cow that must supply the milk for government, but the cow can be milked with some care to preserve the animal and improve its health for future milkings. It is true that wealth is often acquired without the performance of a socially useful function. Such acquisition is especially suited for taxation but, outside of inheritance and perhaps the receipt of urban land rent, it is exceedingly difficult to distinguish for taxation. It is also

true that taxes may occasionally be so levied as to encourage socially desirable business conduct from the standpoint of interests other than those in maximum productivity. An example is the differentials in pay-roll taxes for unemployment that attend experience rating systems. The taxes are so adjusted as to provide an incentive for regularization of employment. Although it is true that much unemployment is beyond the control of business management, the employer retains enough strategic importance in the phenomenon to make some incentives for prevention definitely worth preserving.

COORDINATION OF FEDERAL AND STATE TAX SYSTEMS¹

For many years, but particularly within the last decade, organizations of state and municipal officials have complained about the absence of coordination in the Federal-state-local tax system. Committee after committee has been organized to consider the problem, although in some cases the committees could not agree on a final report and in others the major agreement was on the need for further committees. The state and local officials have had support in high Federal offices. The President has repeatedly expressed his view that "no really satisfactory tax reform can be achieved without adjusting the Federal-state-local fiscal relationship." This view is shared by the Secretary of the Treasury. A considerable number of businessmen also have been outspoken proponents of a program "to reduce the confusion from overlapping taxes," although others have seen in this the open road to a surrender of state independence, a consequence feared more than the existing confusion.

The plan of government adopted in 1789 did require some separate utilization of distinct sources of revenue by the Federal government and the states. The Constitution made it quite difficult for the Federal government to tax property and it forbade state use of tariffs. Although overlapping was permitted² as to other sources, it developed slowly. It was not until shortly before and during the First World War that both the Federal and the state governments began to diversify their tax systems, using the same taxes for this purpose. Today most of the main sources of Federal revenue—income taxes, death taxes, liquor and tobacco taxes, and motor vehicle taxes—are also used by state, and in some cases by

¹This section draws substantially from the Committee on Intergovernmental Fiscal Relations, *Federal, State and Local Government Fiscal Relations*, Senate Document No. 69, 1943.

²Or the authority was added by amendment.

municipal, governments. This produces a high cost of duplicate administration and compliance and it impedes an over-all view of the tax burden.

Problems of intergovernmental relationships are by no means confined to overlapping taxes. The taxation of governmental instrumentalities is a large and growing problem. The Federal government now makes payments in lieu of taxes on much of its Federally owned property, the volume of which has greatly increased during the depression and the war. But Federal practice in this respect has developed opportunistically and has occasioned much state and local dissatisfaction. The arrangements have varied with different Federal projects. For example, some public housing projects pay nothing to the municipality that provides them service; others make moderately substantial payments. Another issue in the instrumentalities field is that of state sales taxes applied to the purchases of government contractors. The United States Supreme Court¹ recently held that, in the absence of congressional declaration to the contrary, purchases by cost-plus-fixed-fee contractors engaged on government contracts are subject to state and local sales taxes. Finally there is the tax-exempt security issue. Whatever may be concluded as to the merits of the argument concerning the exemption of interest on government bonds, there can be no doubt that the attempt to eliminate this feature of our tax laws has met with constant, general, and bitter opposition from state and local officials. The main ground for the opposition is that the inclusion of the interest on state and local bonds in the Federal income tax base would increase the cost of local borrowing and thus increase property taxes and put a further strain on state and local budgets. Unconsciously the state and local officials serve as a "front" to protect the patently unfair privileges of rich taxpayers.

Improvement in Federal-state relations is partly a matter of better attitudes. The outlook of public officials in their attitudes toward other governments is frequently characterized by provincialism, arrogance, jealousy, and indifference. Government officials easily forget that, while they represent directly their own particular unit, the latter is a "stockholder" in the higher and lower levels of government. Almost every one knows of Federal officials who seem convinced that nothing really important goes on outside of the District of Columbia. And state officials who resent this are likely to display the same attitude in dealing with local officials.

¹ *Alabama v. King and Boozer*, 314 U.S. 1 (1941).

Fear that one level of government may get an advantage often prevents a sensible mutual solution of common problems by conference and agreement. Those who are engaged in the administration of Federal and state taxes have "cooperated" at such distance that they usually do not know each other's names and faces. Although some of this is but the limitations of human nature, a great improvement could be made if more conscious effort were exerted.

Recently a study of intergovernmental relations, sponsored by the Treasury, recommended an addition to our governmental machinery to facilitate intergovernmental cooperation. The agency recommended was to be a joint Federal-state "fiscal authority," mutually sponsored, manned, and supported. Among its duties would be that of constantly promoting collaboration between Federal and state tax officials. This proposal seems promising but, if it proves too ambitious, something could be accomplished were the Bureau of Internal Revenue to appoint a state relations official to work with a similar personage appointed by the Council of State Governments or some other organization representing the states.

The most enthusiastic proponents of intergovernmental fiscal coordination envisage a program under which the Federal government would levy and collect the major overlapping taxes and distribute a portion of them to the states on some "equitable" basis. Although this procedure would eliminate much confusion and cost of administration and compliance, it might cause new and greater wastes in the distribution of the centrally collected revenues. Moreover, the states have been rightly skeptical of the effect of such a program on state independence. Whereas this extreme form of coordination might prove unacceptable and unwise, in most cases there are less drastic coordination devices that might prove better suited for their purpose. We already use a credit in the coordination of Federal and state death taxes and this device can be modernized and improved. At the very least, much greater cooperation in the administration of overlapping taxes should prove not too difficult to achieve. For example, the Federal government should be in a position to call upon the states to require purchase of a Federal automobile use-tax stamp as a condition for the issuance of a state automobile license. Nor should the public much longer tolerate the use of two independent audits to obtain the facts necessary to administer overlapping income and death taxes.

Federal grants-in-aid developed rapidly but not very systematically during the thirties. The aids provide a way by which the Federal government can utilize its superior fiscal powers to relieve the pressure on state and local revenue systems. They also offer a medium through which the Federal government can assert its national interest in certain functions now the direct responsibility of the states and municipalities. The aids involve some dangers of extravagance but they fill a useful function in a Federal system and are almost certain to develop further. Sooner or later our Federal aid system will be expanded to include some central financial support in the field of elementary education, where the national interest is very strong. It is important that any move in this direction include adequate central controls, although the latter should not be too rigid and coercive in character. Such matters as division of educational funds between whites and Negroes, state machinery for distribution of school aids, and school district organization have become of more than local interest. A sound Federal aid program must steer a middle course among the rocks of no controls, the wrong kind of controls, and the wrong methods of exercising controls. This is no easy assignment, but one that is worth trying.

The problem of new sources of revenue for municipalities—particularly cities—is one that should have fresh attention in the postwar period. Many cities have been living from hand to mouth and moving from one financial predicament to another. The general property tax is the major independent source of municipal revenue and it is proving more and more inadequate. The property tax is constantly under attack by state and local officials. They tell the property owners that the latter are being “bled white” while irresponsible tenants vote the levies. They tell the dispossessed that the property tax is a regressive levy bearing with heaviest weight upon the poor. They tell both that the property tax undermines the great American tradition that every man should own his home. During the recent depression the “old reliable” general property tax broke down at many points. Tax delinquency in unprecedented proportions developed. In the case of most properties, the delinquencies were temporary only, but the delays were a serious embarrassment. State legislatures acted to relieve property owners rather than municipalities and enacted a flood of tax limitation and homestead exemption laws. Some of these relief

measures were "nailed down" in state constitutions, a serious infringement upon flexibility in the exercise of fiscal powers.

As a way out of the difficulties of urban finance, the extension of aids and shared taxes, with a larger share in the distribution for cities, has often been proposed. Some relief can be had through this avenue, and the cities are undoubtedly entitled to a better "cut" in motor-vehicle tax revenues. But it ought not be necessary for the cities to go constantly, hat in hand, begging for a mite from the central units. There is plenty of wealth in the cities to finance their own needs. The central units go to these same urban communities when state and Federal revenues are collected. What is needed is the development of better tax instrumentation through which these municipalities can tap their own resources.

It is much easier to present the problem of more adequate municipal revenues than it is to offer a satisfactory answer to the problem. Only a few suggestions can be outlined here. Certainly the whole field of possible sources of municipal revenue—particularly independent revenue—should be thoroughly reexamined. The use of local supplements to Federal and state sources should be developed. Municipal income and sales taxes are objectionable mainly because they complicate the tax system and duplicate existing levies of the central units. They also involve jurisdictional confusion. If they were attached to state or Federal laws and administered centrally for the local units, they might be applied successfully. Some experimentation in this type of revenue procedure is badly needed. It might be confined at first to the largest municipalities. Even independent municipal income taxes (as in Philadelphia) should not be ruled out of consideration.

Ways and means of taxing property in other countries should receive particular attention. Among the ways in which the European systems differ from our own are the use of rental or annual value rather than selling value as the base, and the levy of the tax upon the occupant rather than upon the owner. The first relates the tax more closely to the current productivity of the property, and the second makes the tax more personal and gives it a broader base.

State fiscal systems are irresponsible to Federal fiscal policy because of their inflexible debt limitations. Much can be done to make and keep state and local revenue systems more flexible. Tax limitations are offensive from the standpoint of flexibility (among others) and debt limitations, while desirable, are badly in

need of overhauling. The latter are often ineffective and not accurately related to local resources or to the purposes for borrowing. A percentage of assessed value takes no account of ratios of assessed to true values or of other revenues which the local unit may receive. A ratio of debt to average total revenue would be more appropriate. There is no good reason why debt limits related to general resources should bar borrowing for a self-liquidating utility.

The virility of local government, which fills an important place in the functioning of a democracy, is very much at stake in this quest for adequate independent sources of local finance. It is also at stake in the larger field of intergovernmental relations. The Federal government, with its high fiscal powers and its advantage of perspective in economic controls, is certain of a large and increasing place in the public affairs of the future. But the Federal government has its own problems of coordination and it is inferior to local government in the degree of participation that it can offer the citizenry. There has been a strong trend toward the view that only what happens in Washington is of any importance, but a post-war revival of interest in the states and municipalities would be a wholesome and refreshing development.

SOME NEEDED CHANGES IN THE FEDERAL TAX SYSTEM

It will be recalled that, during much of our history, the Federal government relied principally on tariffs and excises to provide its revenue. Income and inheritance taxes were introduced shortly before our entrance into the First World War, and these taxes, at first moderately employed, were pushed into high gear to finance the emergency. To them were added the excess-profits taxes. In the highly inflated economy of that period, these business taxes—the corporate income and excess-profits tax—produced what were then regarded as extremely high financial returns to the government, 3.16 billion dollars in 1918. After the war, the excess-profits tax was repealed, and during the twenties the rates of the personal income tax were substantially reduced in successive acts. In spite of these reductions, a balanced budget was maintained and the debt was cut more than a third. A period of financial stringency began with the thirties and resulted in increased tax rates, but revenue yields were insufficient to balance the budget. New taxes introduced included an excess-profits capital-stock tax on corporations. This was based on the declared value of capital stock and amounted to an additional levy on net income, "estimated" in advance. An

undistributed profits tax was introduced in 1936 but was greatly reduced in 1938 and abandoned in 1939. Pay-roll taxes to finance social security were introduced in 1935.

As the system stood in 1939, the personal income tax carried a personal exemption of \$2,500 for a married couple, a normal rate of 4 per cent and a maximum surtax rate of 75 per cent on income in excess of 5 million dollars. The corporate rate was graduated from $12\frac{1}{2}$ to 19 per cent. These two taxes combined produced about 40 per cent of Federal revenue. Consumption taxes (mainly excises on liquor and tobacco) continued to occupy a substantial place (29 per cent) in the picture. Pay-roll taxes added 14 per cent to the revenue. The tariff had faded into an inconsequential fiscal role. The estate tax, with a high top rate of 70 per cent, had also become relatively insignificant as a revenue producer.

The war has brought tax increases on almost all fronts. Personal exemptions in the personal income tax are substantially reduced (from \$2,500 to \$1,000 for a married couple) and the number of income taxpayers has increased from 4 to about 50 million. Bottom rates on taxable income have risen to about 23 per cent and top rates range to about 90 per cent (combined taxes) on income in excess of \$200,000. Business taxes mount to a top corporate normal and surtax of 40 per cent plus an excess profits tax of 95 per cent. Neither business tax is deductible in calculating the other, but excess-profits net income is not subject to the corporate tax, an over-all limitation of 80 per cent is allowed, and 10 per cent of excess-profits taxes is earmarked as a postwar credit. The excess-profits tax is levied on the excess of current profits over those of prewar or a percentage return on capital, whichever is more favorable to the taxpayer. Of 43 billion dollars in revenue for the fiscal year ending June 30, 1944, it was estimated that the corporate profits and income taxes would produce some 14 billion dollars and the personal income tax some 17 billion dollars (including 1.5 billion dollars attributable to overlapping payments attending the introduction of more current collection).

Undoubtedly the Federal tax system will be overhauled after the war and some reductions in tax rates at some points can be anticipated. Consequently, the time is propitious to consider a few of the desirable directions of reform. Some of the needed changes in the Federal tax system have been mentioned and it has been suggested that considerations of nurturing the tax base, of adequate revenue, and of less inequality in the distribution of income are all

entitled to weight in recasting our tax laws. It has been suggested that, among the important changes that should be made, a better integration of corporate and personal taxes takes a very high rank. One of the most difficult aspects of any move in this direction is the treatment of undistributed profits.

The present tax treatment of undistributed profits applies one (impersonal) tax—the corporate income tax—to income that is reinvested by a corporation, and two taxes—the corporate and personal levies—to that which passes through to the stockholder. Ideally, the obvious discrimination, the inducement to corporate hoarding, and the open door to avoidance here involved could be corrected by assessing the stockholder on his prorata share of the corporation's undistributed earnings. But, in addition to the impressive legal and administrative difficulties connected with the latter arrangement, the proposal flies in the face of the popular conception of personal income and the distinct entity of the stockholder and the corporation. Possibly the prorata system could be confined to small corporations and an undistributed profits tax could be applied to the larger companies. But a revival of the undistributed profits tax is likely to recall the unhappy experience with this type of levy in the late thirties.

Probably the best available solution to this problem can be found in the British practice, under which the corporate tax is a combination of a withholding levy and an advance payment for the stockholder on retained income. The British corporation pays at the standard rate applicable to individuals, one level above the lowest rate applied in the scale of the personal tax. It pays this tax on all income whether or not distributed. When distribution is made, the stockholder is credited with corporate taxes paid on his behalf. The resulting integration is far from perfect; an individual with a large income escapes (temporarily, at least), by corporate reinvestment, the payment of surtaxes above the standard rate. But the degree of integration is much greater than that under our present system, and duplication is entirely eliminated. At the same time, the corporation continues to serve as a central source of accounting and collection, as at present. If the integration were supplemented by modifications in the taxation of capital gains so that the full rate of tax were applied to this form of income, including gains passing from a decedent to an heir, all undistributed income would be subject to the personal tax eventually. The system represents a reasonable compromise of the interests involved

and is probably the nearest approach to complete integration that is feasible.

A postwar trend away from higher taxes on business as such should include the repeal of the excess-profits tax. There are strong grounds for including the tax in the peacetime tax system in an attempt to recapture monopoly profits. The problem of monopoly was serious enough before the war and it will be even more serious after the war is over. But we have no technique for distinguishing large profits from monopoly profits. We have no way of distinguishing those gains that are attributable to monopoly from those that are due to business efficiency and the assumption of risks. The excess-profits tax falls short as an antimonopoly measure in that it does not prevent monopolies, it does not check restriction of output, and it does not regulate prices. As for its effect on distribution, monopoly profits can be taxed in the hands of individuals as well as in those of corporations. After the First World War, business was advised that it should accept an undistributed profits tax in lieu of the excess-profits tax then in effect. In spite of the experience with an unfortunate application of the undistributed profits tax in 1936, it is still possible to say that the advice of two decades ago was sound.

Some business taxes (other than on undistributed profits) may be necessary in the postwar period to provide the revenue required. The best argument for them is that they are less inequitable and less damaging in their effects on the economy than alternative sources. In the order of priority among possible postwar sources of revenue, they should be given a distinctly secondary rating.

If the trend toward business taxes with their obscure incidence and unfortunate duplication is to be reversed, heavy reliance must be placed on the personal income tax as the backbone of the Federal revenue system. This requires for the personal tax a broad base, an adequate standard rate, substantial graduation, and greatly improved administration. The present normal tax (like the former "victory tax"), with its allowance only for the taxpayer and not for dependents, is unfair and should be eliminated. Closing of loopholes will become more important as the personal tax is given greater scope. These loopholes include tax-exempt securities, special favors to capital gains, and the privilege of filing individual as contrasted with family returns. A highly personal tax system will require more discipline than we have thus far sought to summon.

It will require a much larger investment in administration than we are now making. The policy of confining the policing of the income tax to points where large returns can be had for the effort must be replaced by one that seeks adequate policing to maintain the fairness of the system and the morale of the taxpayer. The income tax should not be permitted to degenerate into a heavy and unfair tax upon wages and dividends only.

It has long been recognized by tax students that the death tax in the United States, in spite of some very high rates and occasionally onerous levies, is fiscally disappointing and capricious in its impact. In relation to their wealth and income, the British have done much better with this tax. All the reasons for this advantage have never been explained but some of them are obvious enough. The British allow an insignificant exemption compared with our \$60,000. Some of the loopholes through which our revenue leaks have been plugged successfully by the British. Particularly is this true of certain loopholes associated with the disposition of property in trust, involving the opportunity to skip "transfers" in handing on property from one generation to another. Attention should be given to the possibility of including the time between successive transfers as one of the dimensions of an estate tax base. The most important single reform in the death tax field, however, and one needed in Great Britain as well as in the United States, is the integration of death and gift taxes.¹ Under the present system of two taxes and two exemptions, a high degree of avoidance is invited. This is accomplished through the transfer of a large portion of one's property by gift rather than by bequest. If the avoidance were equally available and equally practiced by all, the results would be equitable at least as between taxpayers. But such is not the case. Those who die suddenly and at an early age have no opportunity "to put their house in order." There is no convincing reason why disposition through gift should result in lower taxes than if all of one's estate were transferred at death. All these transfers should be integrated into a single cumulative base. Some attention to the status of the transferee might be recognized in a differentiation of exemptions according to the relationship of the recipient to the deceased.

The taxation of foreign trade (tariffs) is only partly a public finance problem and can be given only passing attention here.

¹ In Great Britain this would require the addition of a tax on *inter vivos* gifts; at present, only gifts in contemplation of death are taxed.

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Our score on this front after the First World War was about as bad as it possibly could have been. We boosted trade barriers to new heights while we called loudly for the payment of war debts. Thanks to our Lend-Lease institution, it may be possible to avoid large international transfers in the aftermath of this war. However, the reduction of trade barriers is also important on both economic and political grounds. Not all tariffs can be precipitously abandoned. But an era of international cooperation along economic as well as political lines is certainly badly needed, and it is hardly possible unless we are willing to reverse the pattern followed after the First World War as to taxing international trade.

CONCLUSION

In this chapter, attention has been focused largely upon what *should* happen rather than on what *will* happen. The role of prophet, especially in matters political, seems a more hazardous one than the author cares to undertake. It can be said, however, that our physical resources will probably prove ample to meet our post-war tax problem. It is the human resources that are a proper cause of concern. The task will require all the good sense, wisdom, and fortitude that our democracy can mobilize.

We are highly challenged by the fact that our economic system so readily slipped into high gear to defeat a foreign enemy. Why can't we do the same against domestic enemies such as malnutrition, poverty, and disease?

CHAPTER VI

THE BASES OF AN ECONOMIC FOREIGN POLICY

P. T. ELLSWORTH

An economic foreign policy for the United States, like any other policy determining our relations with other nations, must reflect our national interest. This will be true so long as the world consists of independent nations. Given that condition, unless we look out for our self-interest, it is certain that no one else will; failure so to act can result only in injury to our national well-being. Should there ever be established a truly supranational government, endowed with full authority over matters now determined on a basis of negotiation between sovereign states, we can afford to leave decisions to this body. For it can scarcely be imagined that a powerful supranational government will be established until its component members are convinced that the interests over which it is given authority can be dealt with adequately only on a planetary basis.

It is scarcely necessary to add that national interest does not mean mere narrow selfishness but that it implies the pursuit of those policies, implemented by appropriate action, which will most effectively promote our enduring economic strength and prosperity. Since it now appears incontestable that prosperity is indivisible and since economic strength—if it be exercised intelligently—tends to buttress the entire economic fabric of the world, adherence to an economic foreign policy that reflects our broad national interests will redound to the advantage of all.

How, then, are we to determine what is our national interest in the sphere of international economic relations? Two sets of considerations are relevant. One, clearly, is the nature of the world in which we as a nation live. To be realistic, any policy must be framed with reference to the characteristics of the universe to which it is to apply. Equally important are the place of the United States in this world and our relationship to it. With an understanding of the economic environment that confronts us and where we stand with reference to it, it should be possible to determine where our national interest lies and what policy or policies will best contain that interest.

In the sections that follow, each of these topics will be explored in turn. Within the confines of a single chapter, it is, of course, impossible to describe all the relevant economic characteristics of the external world to which we must adjust ourselves. I have, therefore, chosen for discussion those features which seem to me most significant; if others appear to the reader more so, perhaps their very omission here will stimulate him to fruitful thought.

I

One of the salient features of the postwar world will be the network of restrictions that encumber international commerce. Greatly expanded during the thirties as measures of desperation in the face of the great depression, or as implements of economic warfare in preparation for the coming military conflict, this multitude of restrictions still stands. It has, indeed, even been augmented by various new types of wartime trade controls. When the war ends, they will remain like a thick jungle growth across the path of a resumption of active world trade.

The seriousness of this obstacle may be gauged by an examination of its nature and its effects upon prewar trade. The restrictions that spread from one country to another like a prairie fire during the early years of the last decade consisted not only of greatly increased customs duties, but also of much more direct and virulent obstructions. Prominent among these were complex systems of import quotas, which set an upper limit beyond which the volume of imports of any commodity might not pass, as well as controls over the use of the foreign exchange resulting from exports.

The quantitative effect of these restrictions is reflected in the limited degree to which world trade recovered after the depression of 1929–1933. This is clearly indicated in the accompanying table.

QUANTUM* OF WORLD TRADE
(1929 = 100)

	1932	1936	1937
Foodstuffs.....	89	88	93
Materials, raw or partly manufactured.....	81.5	95.5	111.5
Manufactured articles.....	59	75	86
All articles.....	74.5	86	97

SOURCE: *World Economic Survey*, 1938–1939, p. 298.

* Changes in quantum of world trade represent changes in total value of trade after the elimination of price variations.

After falling to a low of 74.5 in 1932, the corrected value (quantum) of world trade had recovered to only 97 per cent of the 1929 level by 1937, which was a year of comparative boom conditions. Moreover, were it not for the large increase in trade in materials, which reflects not alone the considerable industrial recovery of this year but also the large rearmament demand and speculative purchases, the degree of recovery would have been substantially less. But most important is the fact that during this period, as the accompanying table shows, industrial production in the leading countries attained a level equal to or greatly exceeding that of 1929, while world trade failed to reach this mark. These contrasting trends indicate, in large part at least, the stifling effect of the multitude of trade restrictions.

INDUSTRIAL PRODUCTION IN CERTAIN LEADING COUNTRIES
(1929 = 100)

	1932	1936	1937
United States.....	53	94	103
United Kingdom*	97	129	138
Canada.....	58	90	100
Japan.....	98	150	169
Sweden.....	89	135	151

SOURCE: For United Kingdom, *Foreign Commerce Yearbook*, 1939. For other countries, *Statistical Yearbook of the League of Nations*, 1940-1941.

* 1930 = 100.

The real impact of these barriers, however, is only inadequately portrayed by abstract figures. Serious injury befell the consumer and the producer, both directly and indirectly. From the consumer's point of view, direct harm was wrought through a reduction in the realized and realizable degree of international specialization. Disruption of trade meant, in some cases, a scarcity or a total lack of some commodities hitherto readily obtainable; in others, the substitution of high-cost domestic production for low-cost imports. In any event, the net result was a lowering of standards of living and general impoverishment. From the point of view of the producer, dislocation of industry, often substantial, was the consequence. This was reflected in shrunken markets for export industries, reduced output, unemployment, and capital losses.

Some of the most insidious effects of rising barriers to commerce followed from the fact that they disrupted the delicately balanced

system of multilateral trade. Very few countries, if any, exactly balance their exports to and imports from any given nation. Thus tropical countries, in particular, have large export balances with the United States, yet buy much more from England than they sell to her. Since the United States, however, is a net exporter to England, the favorable balance of tropical countries with the United States can be used to pay for the excess of imports from the former country. The introduction of a host of severe obstructions to trade seriously hampered the possibility of operating such triangular or multilateral transactions. As a consequence, to obtain the supplies they needed, many countries were forced to attempt a bilateral balancing of accounts with nations that could furnish some of their requirements, even though frequently at greatly increased cost. Others, notably Germany, pursued a policy of bilateral trading as a deliberate means of dominating an economic empire which would give them the resources needed for self-sufficiency.

Since it is largely through the system of multilateral balancing of accounts that debtor countries are enabled to transfer interest and dividends on foreign investments, the disintegration of this structure seriously obstructed the flow of such payments. The result was widespread debt default, an almost complete cessation of new investment, and therewith a drastic slowing down of the rate of economic development, especially in those relatively backward regions which most need to be developed.¹

A second outstanding feature of the postwar world will be the impoverishment of large areas as a direct consequence of the war. Destruction of physical plant and equipment in Europe and the Orient is already great and will be much greater before the war is ended. This in itself will seriously reduce the productive capacity of hundreds of millions of people. In addition, the populations of the subjugated countries have for years been suffering from malnutrition. Together with the psychological effects of their brutal oppression, this can scarcely have any other result than to diminish materially their capacity for productive effort. Without prompt

¹ It is not intended to suggest that the practical cessation of international lending was solely a consequence of rising trade barriers. Other factors, such as general conditions of depression, the political policy of governments, and direct restrictions on capital movements contained in exchange controls, were of at least equal importance. For an illuminating discussion of the implications of the disintegration of the network of multilateral trade, see *The Case for Multilateral Trade*, by Folke Hilgerdt, *American Economic Review*, vol. 33, No. 1, Part 2, Supplement, 1943.

and effective assistance from the outside world, continued over a considerable period, large portions of Europe and the Orient will be doomed to a prolonged interval of chaos, starvation, and turbulence.

A third aspect of world economic conditions after the war, which deserves serious consideration, is the chronic tendency toward overproduction that characterizes many agricultural products and raw materials. This is no new situation. Even during the prosperous twenties, the world's capacity to produce wheat, sugar, coffee, rubber, nitrates, and copper, to mention only the outstanding illustrations, was far in excess of the ability of the international market to absorb output at a price that was profitable to the majority of producers. Partly this was the result of the deliberate stimulation of uneconomic production (as in the case of wheat and sugar), partly it was the consequence of excessive expansion of output during and after the First World War (rubber and, to some extent, wheat), partly it was the outcome of the development of new and low-cost sources of production (cotton in Brazil), of new techniques or of synthetic substitutes (nitrates). Where efforts to remedy the situation were temporarily successful, they generally took the form of restriction of output (notably in the case of the Stevenson rubber restriction plan), with resultant high prices and reduced consumption. Where such efforts were unsuccessful or lacking, producers had to endure a long period of low prices and subnormal incomes. Readjustment through the classical method of transfer of resources to more profitable occupations was rendered difficult, either because, as in agriculture, the number of producing units was immense and they were homes as well as food factories, or because, as in the production of copper and nitrates, the capital investment was long-lived and continued production was preferable at any price that would cover out-of-pocket costs.

The situation faced by these producers was intensified during the past decade, and so far no effective long-range solutions have been devised. Moreover, in some cases, the problem will be aggravated by developments during the Second World War. One needs only to mention the establishment of a synthetic rubber industry in the United States, capable of producing more than we ever imported; the expansion of the production of synthetic nitrates in this country; the stimulation of rubber, quinine, and hemp production in Latin America. New problems of surplus capacity have also been created by the immense growth of this country's output of aluminum and magnesium and by the expansion here and

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in other countries of airplane manufacture and the machine tool industry.

Finally, in the world we confront after the war, it appears certain that vitally important industries will be dominated by powerful international corporations united by monopolistic agreements known as "cartels." For many years before the war, such international cartels were numerous; among the more important were those in drugs, chemicals, dyestuffs, aluminum, steel, copper, tin, petroleum, nitrates, electrical and radio equipment, diamonds, and quinine. Though varying widely in their structure and operation, most of them effectively restricted output, raised prices, and divided up market areas; some have slowed down the development of new products; others have prevented access to necessary technology on the part of less industrialized countries. Although the conditions of war have reduced the extent of collaboration between Axis and Allied members of international corporations and cartels, there can be no doubt that when hostilities cease, political considerations will not stand in the way of complete cooperation. Then, unless effective countermeasures can be devised, we shall witness an intensified expansion of international understandings to cut the consumer's throat.

II

In the framework of a postwar world characterized by widespread trade restrictions, by extensive devastated and poverty-stricken areas, by fears of overproduction of many basic commodities, and by constantly spreading monopolistic controls, what is the position of the United States? Briefly, we are the world's greatest exporting nation, its second most important creditor, and its wealthiest member.

Our export trade exceeds that of any other country. In 1938, United States exports amounted to 3,057 million dollars, as compared with 2,301 million dollars for the United Kingdom and 2,117 million dollars for Germany, our closest rivals. With respect to imports, although these are large, our position is third to that of the United Kingdom and Germany. Imports into these countries in 1938 were 4,200 million and 2,195 million dollars, respectively, and 1,950 million dollars for the United States. During the entire decade 1930-1939, our exports averaged 12.7 per cent of those of the world as a whole, while our imports were just short of 10 per cent of total world imports. Thus both as a supplier and as a buyer, the United

States occupies a position of primary importance even in terms of average, over-all figures. Considered in relation to those countries with respect to which we occupy a prominent trading position, such as Canada, China, Japan, Mexico, and the Caribbean nations,¹ the maintenance by this country of a large volume of purchases is a critical factor in their prosperity.

Stated as a proportion of our total production, as it always is by those who would depreciate the role of our export trade, the volume of our exports is not impressive, not exceeding during the decade of the thirties a figure of 6 or 7 per cent. Emphasis upon the fact that a relatively small proportion of our national output finds an outlet abroad, however, fails to recognize that to certain important industries the export market is absolutely vital and that it will continue to be unless and until our domestic economy is drastically reorganized. This is true, for example, of many agricultural products—cotton, tobacco, corn, wheat, fruits—and of many manufactures as well—automobiles, electrical machinery and equipment, tires, industrial and agricultural machinery, lumber products, petroleum, iron and steel products. Moreover, it may be added that for many industries and firms, the sale of an additional relatively small percentage of output may mean the difference between profit and loss.

Likewise with respect to imports: these may not bulk very large as a percentage of national consumption, but some are very important quantitatively, while others, as the war has taught us so clearly,

¹ The percentage of exports to and imports from the United States for each of these countries (including three from the Caribbean area), is as follows:

Country	Exports to United States (Per cent of total)	Imports from United States (Per cent of total)
Canada.....	34.1	60.5
China.....	21.8	18.8
Japan.....	19.8	32.9
Mexico.....	65.9	62.0
Colombia.....	56.5	47.0
Cuba.....	78.4	68.0
Venezuela.....	14.7	52.1

are of great strategic significance.¹ Of the former class, one may cite rubber, silk, newsprint, coffee, cocoa, sugar, fats and oils, hides and skins, and tropical fruits. Of the latter, it is necessary to mention only mica, quartz crystals, industrial diamonds, tin, tungsten, chrome, quinine, and hemp. To acquire some of these and other less known articles, representatives of our government have literally scoured the earth.

Another important aspect of the international status of the United States is to be found in its position as a creditor. Although the United Kingdom still outranks us in this respect, as is only natural in view of that country's long history as an investor, we are in the process of rapidly overtaking her. Just before the outbreak of war in 1939, total British long-term investments abroad amounted to approximately 17.3 billion dollars. Even allowing for some offsetting foreign investments in the United Kingdom, the net British long-term creditor position was probably close to 17 billion dollars. Up to the summer of 1943, however, a considerable liquidation of British foreign assets had taken place, probably in the neighborhood of 3.5 to 4 billion dollars. Thus, if no further liquidation occurs, the total long-term creditor position of the United Kingdom will approximate 13 billion dollars at the end of the war, subject to further corrections on account of destruction of physical property in enemy-occupied territory which might run as high as a billion dollars.

The United States, on the other hand, at the end of 1939 held abroad some 10.8 billion dollars of long-term investments. Against these must be set some 6.3 billion dollars of foreign long-term holdings in the United States, which gives a net long-term position of 4.5 billion dollars. Liquidation of foreign interests during the war, primarily by the British, will bring this figure somewhere above the 5-billion-dollar mark. Thus on long-term investment account, the United States will be a poor second to the United Kingdom.²

¹ Some of the commodities listed are important both quantitatively and qualitatively, particularly rubber and silk.

² The British position in 1939 is as given in *Senate Hearings, Committee on Foreign Relations*, 77:1, "To Promote the Defense of the United States," Part I, p. 15. The figure for the United States is from *Foreign Long-term Investment in the United States, 1937-1939*, Department of Commerce, 1940.

If short-term credits as well as long-term investments are taken into account, the British creditor position in 1939 amounted to approximately 16 billion dollars. Evidence from various sources indicates that by the end of 1943, liquidation of both long- and short-term credits, plus the accumulation of

It is not so much our actual status as a lender that will be significant after the war, however, as our potential position. There appears little doubt that the United States will then be the world's greatest reservoir of lendable funds. This will be true because of the large volume of savings in this country, the facilities of our banking system for the ready extension of credit, and the availability of a large exportable surplus of goods and services by means of which loans can be transmitted abroad.

If we are to make substantial foreign loans after the war—and this will be essential to reconstruction in Europe and Asia, as well as to the provision of adequate markets for many of our major industries—interest and dividend payments will soon reach substantial sums. Even the current position involves net investment earnings due this country in the neighborhood of 150 to 200 million dollars. Since the return on international investments can be paid, except for relatively brief periods, only with goods or services, maintenance of service charges on our loans will require that we prepare to receive additional imports. For it is highly unlikely that services—such as tourists' expenditures, shipping and insurance earnings, immigrants' remittances—will for many years be of sufficient volume to offset similar payments due the United States and still leave enough to pay the earnings on our investments.

A third and final feature of the international position of the United States to which it is essential to call attention is that we are the wealthiest member of the family of nations. Our economic strength carries with it great power and, therefore, also great responsibility. Since we are a sovereign nation, there is nothing to prevent us from selfishly withdrawing into a position of economic isolation. Such negative action, however, is bound to have serious consequences for the rest of the world, the responsibility for which we cannot disown. Simply because our power is so great and the effects of its exercise so widespread, it is incumbent upon us as a member of an interdependent world to use it wisely, *i.e.*, to promote the peace, security, and welfare of all nations, ourselves included.

sterling indebtedness in the form of blocked balances, totaled approximately 11.2 billion dollars. Thus the total net creditor position of the United Kingdom at the end of 1943 probably was in the neighborhood of 5 billion dollars.

If the large short-term obligations of the United States are taken into account, our net creditor position at the end of 1939 did not exceed 1.9 billion dollars. The further inflow of capital since that date by the end of 1943 had virtually extinguished our position as a creditor.

III

Considering the features of the postwar world which I have stressed, particularly the disorganization of its economic life, together with the fact that the United States is the greatest single trading and the second creditor country, as well as the wealthiest member of the family of nations, the direction of our national interest appears clear.

First, it is emphatically in our interest to witness the restoration of the widest possible degree of international trade. Our stake as an exporter and as an importer requires it. Without the development and expansion of export markets, a reorganization of many of our leading industries, involving the transfer of labor and capital into occupations producing for the domestic market, will be necessary. Such a readjustment would be costly and difficult; moreover, it would come at a time when we were already plagued by the problems of demobilization of war industries and of maintenance of a high level of employment. Expanding postwar markets for our exportable products, on the other hand, can do much to relieve the severity of these problems.

Our need for imports, especially raw materials for our immense industrial plant, likewise calls for the restoration of freer trading conditions. Continuance of the trade barriers of the thirties, by making it difficult for us to export, will seriously hamper our ability to acquire the wide range of products we must have for efficient, low-cost production. In that event, in order to attain as high a degree of efficiency for our economy as is possible, we would be forced to seek assured sources of supplies by the only other means open to us, namely, adoption of bilateral trading arrangements, economic domination of raw material producing areas, and the production of synthetic substitutes. Not only would this solution be far less economical than the purchase of supplies in the open market, but it would also entail both the continuance and expansion of economic controls and the introduction of political controls as well. This point, moreover, has a wider application. If the United States were forced to create a relatively self-sufficient economic empire, other nations, faced with similar conditions, would be driven to attempt the same solution. The end result would be the appearance of a few great regional blocs, comparatively self-contained, enduring reduced standards of living, with each continually sparring for opportunities to expand its sphere of influence. A more

ideal setup for the outbreak of imperialistic wars can scarcely be imagined.

On the other hand, if the network of restrictions that obstruct free commercial intercourse can be eliminated, or at least greatly ameliorated, the expansion of world markets will remove the necessity of reorienting established industries, the possibility of taking advantage of the benefits of international specialization will permit living standards to rise throughout the world, and governments can devote their energies to devising constructive measures to improve economic conditions instead of administering an increasingly complex system of restrictive controls.

Finally, removal of trade restrictions will permit the restoration of multilateral trading relations and, therewith, the free international movement of funds to pay interest and dividends. Quite aside from our interest as a creditor, this would go far to release the inhibitions that have for more than a decade reduced international investment to a trickle. With a resumption of foreign investment, the development of the more backward areas of the world could again proceed, to the mutual benefit of the inhabitants of these regions and of those with whom they trade.

Closely akin to the problem of the development of backward countries, though much broader in scope, is the situation that will exist after the war in regions that have been dominated by the Axis. The economic reconstruction of these areas will be essential: essential to the restoration of freer and more abundant trade, essential to economic and political stability. Without the provision of seeds, fertilizers, tools, agricultural and industrial equipment, production in much of Europe and the Orient must remain at a shockingly low level. Exports will be negligible, imports will have to be restricted to the barest minimum. This implies the continuance, even the intensification, of existing trade controls. Moreover, the very disorganization of economic life will compel resort to centralized planning, with all that this implies—compulsory saving and investment, control of production, prices, and foreign trade, the maintenance of long hours of work and low living standards. Can it be doubted that such totalitarian regimes will develop the aggressive nationalist characteristics of their Fascist predecessors and become new threats to peace and security?

If this be the alternative to the economic reconstruction of the invaded countries, the interest of the United States in their speedy restoration to economic health is clear. Without it, a fundamental

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attack on trade obstructions will be impossible. This will prevent more than a limited flow of interest and dividends on foreign investment, which in turn will inhibit the movement of capital necessary to economic expansion and development. As the chief source of investible funds, this country must participate actively and generously in the task of postwar reconstruction.

If economic stability and a broadening and deepening of foreign trade channels are in the national interest of the United States, it follows as a corollary that the establishment of more stable conditions of production for agricultural products and raw materials is likewise in its interest. For stabilization of market conditions for these comparatively distressed producers is necessary to avoid a recurrent collapse of prices, reduced incomes in the producing countries (ours included), and difficulties in balancing their international accounts. Such a state of affairs in the past has been partly responsible for the introduction of restrictive trade policies, aimed to maintain balance in a country's international payments. There is no reason to believe that a repetition of this cause would not produce the same effect, which is contrary to our vital interest in the maintenance and expansion of world trade.

Lastly, as a large consumer of the products of international cartels, it is to the interest of the United States to break the power of these monopolies. We would stand to gain thereby not only because prices would inevitably be lowered with the disappearance of monopoly control, but also because the removal of restrictions upon innovations and upon the entry of new firms would ensure more rapid progress toward lower costs and improved products. Moreover, since as a nation we benefit from expanding opportunities for employment both at home and abroad, we would stand to gain in this important direction as well.

IV

In the light of the foregoing discussion of our national interests, we may now proceed to examine the policies relative to the postwar world that seem consonant with those interests.

To restore the greatest possible freedom of trade, two lines of action are necessary. As a preliminary to the removal of the network of restrictions, it is essential that countries confronted by serious temporary difficulties in balancing their international accounts (deficit countries) be provided with reserves of foreign purchasing power sufficient to tide them over the period of adjust-

ment. Such a provision is necessary because a major cause of the introduction of trade restrictions was the recurrence, during the thirties, of deficits in the balances of payments of many countries. After the war, until adjustment to changed conditions has taken place, similar deficits are bound to appear. If provision to meet them is not made, it is reasonably certain that relaxation of those measures which, while restrictive, have effectively protected the balance of payments, will not be accorded wide assent.

Linked to any international arrangement to furnish reserves of foreign purchasing power, there must also be some means of establishing rates of exchange among the various currencies of the world which will promote stable economic relations. In particular, overvaluation of the currencies of deficit countries, or conversely, undervaluation of the currencies of surplus countries, must be avoided. For if the Australian pound, by way of illustration, is priced too high in terms of dollars or British pounds sterling, Australia will have difficulty in selling her wheat and wool in the United States and in Great Britain, while British and American goods will be comparatively cheap to her citizens. The inevitable result will be a deficiency of exports to pay for imports, not to mention the remittance of interest and dividends, the appearance of a deficit in the Australian international accounts, and a strong movement toward the reintroduction of trade controls. It may be added that as a corollary to the power to establish equitable exchange rates, the international authority charged with this responsibility must also be able to alter these rates (though only infrequently and for urgent reasons) when it appears necessary to the maintenance of equilibrium.¹

¹ Preliminary action in this field has already been taken. At the international monetary conference at Bretton Woods during July, 1944, delegates of 44 nations agreed upon a project for an International Monetary Fund, designed to provide a pool of currencies which members can use to tide them over difficulties in their balances of payments, as well as to establish reasonable rates of exchange and an agreed procedure to change any of them in case of need. At the same time, agreement was reached upon a proposed International Bank for Reconstruction and Development, with a capital of 10 billion dollars and authority to make loans from its own funds to governments or governmental agencies or to guarantee approved loans of others.

Adoption of these proposals would lay the groundwork for an attack upon trade barriers. Except for special provisions for the transition period following the war, the International Monetary Fund prohibits its members from introducing exchange restrictions other than to limit excessive capital movements. Moreover, both certain provisions of the International Monetary Fund and the

As a preliminary to the next step, a direct assault upon the excessive tariffs that blossomed during the interwar period, a tariff truce would appear necessary. This should prohibit all increases in duties, whether direct or indirect, while the discussions are under way. Tariff reductions, the chief problem of the conference,¹ could be approached in either of two ways: by means of a series of bilateral agreements among each pair of the consulting nations or through an over-all multilateral agreement. Though the former method is the more familiar, it is also slow and cumbersome, since commodities are taken up one by one, country by country. The multilateral approach, far more bold and decisive, although it might achieve less total reduction of duties than extensive bilateral agreements, would attain its goal at one stroke, without delay. Subject to the proviso that the conference does not take place in an unhappy environment of trade depression, the lessons of the past two decades should be sufficiently compelling, and the imperative need for greatly expanded international commerce sufficiently obvious, to make possible widespread agreement on an all-round slashing of tariffs.² Also favorable to success is the considerable experience

resources put at the disposal of countries in need of capital, would establish an economic environment favorable to the abolition or moderation of exchange controls and other restraints on international trade.

¹ It is to be presumed that a United Nations conference will be called at the conclusion of the war, if not before, to consider revisions of commercial policy. For this meeting to be successful, the delegates must reflect the underlying views of those governmental bodies which possess the power to determine foreign policies. In view of the jealousy with which the United States Senate guards its constitutional rights in this field, effective American participation presents real practical difficulties. It is possible, however, that at least for the immediate postwar period, a declaration of policy by Congress, such as that embodied in the Fulbright resolution, may permit our representatives to a conference to make commitments which will not be repudiated in principle, though they may be subject to revision as to detail.

² Eloquent on this point is the following quotation from a stimulating paper by Prof. Henry C. Simons: "American tariff policy is obviously the crucial, immediate factor in postwar planning. Failing prompt leveling of our own tariff barrier, we shall certainly lose the peace. The great world power cannot remain even moderately protectionist without squandering its opportunities and repudiating its international responsibilities. Our tariff structure must be dismantled immediately and as a whole. Dealing one at a time with particular duties or schedules is politically hopeless. Proceeding slowly or gradually, we cannot undermine a deadly pessimism or skepticism abroad as to the possibility of substantial change in our traditional commercial policy."

"Even in terms of mere national interest, the case for gradualism will be

of the United Nations in cooperation in economic matters during the war.

Any one of a number of formulas could be used, of which a uniform percentage reduction of all duties or the establishment of a maximum and only moderately protective ad valorem rate have the attractiveness of simplicity. Inclusion in the agreement of all countries would be unnecessary to a successful outcome; it would be sufficient if the leading commercial nations, including say the United States, the United Kingdom, the British Dominions, France, the Low Countries, and Scandinavia, were participants, with the agreement open to any other country upon the same terms.

As a final achievement, it would be highly desirable to end the conference with the creation of a permanent international commercial policy commission, preferably possessing the authority to compel uniformity of tariff rates and practices among participating members—at the very least having consultative and advisory powers.

Turning now to the problem of the reconstruction of the invaded areas, the nature of the policy dictated by the interests of the United States is clear. If a prosperous world economy is to be reestablished, thus permitting the realization of rising standards of living and an expanding rather than a contracting level of economic activity, those regions impoverished by war must receive, not only assistance in the form of immediate relief and rehabilitation, but also aid, continuing over a considerable span of years, in the form of a large volume of capital investment. Since it will undoubtedly be the chief source of available capital after the war, the United

inordinately weak. The disturbances or dislocations involved in tariff reduction must be slight relative to those of conversion from all-out war production. Our economy must be reorganized drastically in any case. A major part of our industrial resources must be radically reallocated. It will be little more difficult to reorganize for participation in a larger world economy than to reorganize for isolation. There was never, and never again will be, such a chance to adapt ourselves quickly and painlessly to free foreign trade." (Henry C. Simons, Postwar Economic Policy: Some Traditional Liberal Proposals, *American Economic Review*, vol. 33, No. 1, Part 2, Supplement, p. 434, March, 1943.)

Whereas Prof. Simons' strictures on gradual methods of reform at this particular historical moment are, in my opinion, incontestably true, his proposal to scrap our tariff at one stroke is a counsel of perfection, scarcely within the realm of political possibility. Substantial progress toward freer trade can be achieved by agreement to reduce all duties by 50 per cent or to establish a moderate upper limit on all duties.

States must become the leading participant in a carefully worked-out program of reconstruction loans.

For a variety of cogent reasons, this program will have to be executed through government auspices, perhaps through an international development bank such as that proposed at Bretton Woods. Although, after reconstruction is well under way, the volume of private international investment may be large, private capital is sure to be hesitant at first. The terms of lending, likewise, if the borrowing countries are not to be excessively burdened, will have to be so liberal with respect to time of repayment and rates of interest as to be unattractive to private lenders. Much of the investment needed, also, will be of a type that does not bring immediate or direct returns, particularly, that in roads, irrigation works, flood control, the improvement of public health, and the like. Moreover, the execution of a reconstruction program by an international governmental authority has certain positive advantages. Policies with respect to loans can be integrated with related policies in the field of trade and monetary matters, through consultation and cooperation with the international agencies charged with responsibility for these affairs. The formulation of a loan policy geared to the real economic possibilities in the borrowing countries, which thus avoids the waste of uneconomic developments, cannot be left to the uncoordinated efforts of private bankers but must be entrusted to some central authority. For such a body alone can take a comprehensive view of the problem, plan a general program on a co-ordinated basis, and negotiate effectively with the governments (or governmental agencies) in the borrowing countries.¹

Simply because administration of a reconstruction loan program can best be undertaken by an intergovernmental authority, it does not by any means follow that all, or even the major part, of the capital invested need come from government sources. An issue of bonds of the international lending agency, with interest and amortization guaranteed, or private loans guaranteed by this agency, might find a wide market with the investing public at sufficiently low rates of interest to meet the needs of the borrowers.²

¹ It is possible that in the borrowing countries also, the loan program can be worked out most effectively through some government agency such as a development corporation. Some experience with such corporations already has been gained, as for instance in the loans from the Export-Import Bank to the Chilean Development Corporation.

² An important role in the whole postwar international financial picture will, of course, be played by the problem of Lend-Lease indebtedness. If a

The United States can do much to speed the restoration of economic activity generally by taking a leading role in reconstruction finance. It should be made clear, however, that if this role is to be played consistently and hence without ill effects, this country must be prepared to act out sincerely the part of a great creditor nation. This implies the adoption of a liberal trade policy, hitherto advocated on other grounds. For the United States to become a great international lender, yet to refuse to ease for its borrowers the task of paying interest charges, would be to perpetuate our dangerous economic schizophrenia of the last postwar period. It is true that, from the point of view of short-run adjustments, a low- or a high-tariff policy is of secondary importance. Thus, if a period of renewed lending by the United States were drastically interrupted, as in 1929, widespread default would be inevitable, regardless of our tariff policy. Such default might be only temporary, however, if our barriers to trade were so low as to permit flexible adjustment, whereas it would tend to continue and spread, as in the thirties, under conditions that seriously hampered any gradual expansion of our imports.

To prevent such disasters as occurred with the cessation of foreign lending in 1929,¹ two approaches, already stressed in this chapter, are necessary. The conditions most suited to prompt adjustment need to be instituted, and the possibility of sudden breaks in foreign lending must be avoided. The former calls for the establishment of liberal trading conditions, the latter for the placing of the investment program in responsible hands, capable of acting in the interest of international stability.

Before leaving the topic of reconstruction loans, a subordinate but nonetheless significant point should be raised. It was suggested earlier, in discussing the postwar problem of the foreign exchanges, that the solution to this problem is to be found in the establishment of an international fund to furnish necessary resources to deficit countries and in setting—but not unalterably—exchange rates as

sane solution is to be reached, one principle alone should dominate the question of “compensation” for materials sent our Allies by way of Lend-Lease, namely, that the most suitable compensation will have been received if these materials have been effectively used to defeat the common enemy.

¹ “The end of large-scale foreign lending by the United States and other creditor countries led by rapid steps to the cutting of imports by these countries, cut-throat competition in world markets, and the strangling of international trade. Economic collapse, revolution and eventually war . . . were the results.” *The Economist*, Oct. 9, 1943, p. 492.

near the equilibrium level as possible. An international fund, however, is at best a short-run remedy. If after the war a considerable number of countries suffer from a chronic shortage of dollars, as appears highly probable, deficits in their international accounts will be recurrent. Exchange depreciation may be a remedy for this situation but, under certain not improbable conditions, alteration of exchange rates may be an inadequate corrective. What these countries will need is a continuing surplus of dollars, which can be effectively provided by active foreign lending by the United States. Thus our participation in the financing of reconstruction will do more than restore the productivity of impoverished regions: it will also aid materially in the task of maintaining international monetary stability.¹

I turn now to the third characteristic or problem of the postwar period, that of establishing and maintaining stable conditions of production for many leading agricultural products and raw materials. Here the basic task is clear. Since output is too great to allow of profitable operations, reduction of productive capacity must be brought about. To be permanent, this solution requires the complete elimination of a certain proportion of the producing units, by means of the transfer of resources to more productive occupations. Normally, such a reallocation of the productive agents is effected by means of the price mechanism. Where, however, as in many agricultural pursuits, the number of individual producers is very great and the social resistance to transfer strong, or where, as in many branches of mining, the volume of invested capital is large, the operation of the forces of supply and demand is very slow and ineffectual. Faced with great losses and economic insecurity, producers in these occupations have by pressure on government or by direct action caused the adoption of various types of restrictive measures which give at least some degree of security. Representative of these measures are the well-known practices of an over-all reduction of output, the establishment of sales quotas, the withholding of supplies from the market, and the destruction of crop surpluses.² But such remedies are mere palliatives which

¹ For a fuller development of this point, see C. P. Kindleberger, International Monetary Stabilization, in *Postwar Economic Problems*, Seymour E. Harris, ed., New York, 1943.

² Eloquent on the relation of commodity agreements to these restrictive practices is the following quotation: "There are those who hope or expect that a whole network of international commodity agreements will be devised and adopted that will be free of such recognized defects. It is perhaps conceivable

perpetuate the underlying difficulty, the existence of a large number of uneconomic producing units. A permanent solution, to repeat, will be achieved only with their elimination through transfer to economically more productive occupations.

Unfortunately, there is no obvious path to such a lasting solution. Some useful steps, however, may be briefly indicated. One of these is the drastic reduction of tariff barriers protecting inefficient producers, coupled with financial aid to facilitate the shift of these individuals to new lines of production. There is no economic justification, for example, for the production of wheat in much of Central Europe nor of beet sugar in many parts of Europe and the United States.¹ Wholesale reduction or elimination of the customs duties that make the maintenance of this high-cost output possible would greatly relieve the pressure on efficient producers of wheat in Canada, Australia, Argentina, and the United States and of sugar in Cuba, Central America, and the East Indies.

Another line of attack on the problem of surpluses is to ensure the provision of the widest possible market. The elimination of trade restrictions, the restoration of the productive capacity of Europe and the Orient, and the development of backward countries, as well as the maintenance of full employment in the leading industrial nations—all would operate to expand sales outlets for over-produced commodities and thereby diminish the need for a transfer of resources.

If these methods are insufficient, and in many instances they doubtless will be, it may be necessary to adopt the principle of buffer stocks or the "ever-normal granary" as a means of regularizing the flow of goods to the market and of avoiding excessive price fluctua-

that such agreements might be so made as to raise consumption levels generally, ensure free access to raw materials, facilitate international trade, reduce economic fluctuations, and promote full employment. This ambitious scheme deserves earnest study; but the time is unripe for blithe commitments in advance of thorough, unprejudiced investigation. Broad principles, efficient techniques, and sound administrative procedures have yet to be worked out, and relevant commodity researches are as yet poorly developed." From International Commodity Agreements in the Postwar World, by Joseph S. Davis, in *Postwar Economic Problems*, *op. cit.*

¹ It would appear reasonable to demand, in the peace settlement, of the Central European nations that they divert production from uneconomic staple crops to protective foods, such as dairy products. For a further development of this suggestion, including its bearing on the destruction of the power of the landowning German *Junker* class, see J. B. Condliffe, *Agenda for a Postwar World*, pp. 114*f*, New York, 1942.

tions due to uncontrollable variations in crop yields. Care should be taken to ensure, however, that the international authority in charge is truly representative of the public interest, not merely of the producers, else there is the danger that any program of smoothing out irregularities in supply and price will be turned into a mechanism for "stabilizing prices" at a high level, necessitating the restriction of output as a complementary measure.¹

The fourth and last feature of the postwar economy, the reappearance and spread of cartels controlling great industrial empires, urgently demands the preparation of an effective international policy in which the government of the United States should be a major participant. It will be a matter of unusual difficulty to frame such a policy, let alone to execute it, both because of the inherent complexity of the problem itself and because of the entrenched power of the industrial combinations against which it must be exercised. Yet, unless this power is drastically checked, any measures adopted to increase the freedom of trade may be nullified over large areas by the restrictive practices of international cartels, while these same practices will intensify the difficulties of establishing and maintaining a high level of employment.

There appear to be three chief alternatives for approaching the task of taming international monopolies. One of these is the policy of "trust busting," already tried in this country, with disappointing results, in the dissolution of the Standard Oil Company and of the tobacco combine. This method of attack might conceivably work in some industries, where the size of the economical producing unit was relatively small, and the number of individual plants, therefore, sufficiently large to make the restoration of monopoly conditions difficult. Obviously, however, the difficulties of this approach would be enormously multiplied were it to be attempted on an international scale.

Regulation through an international commission is a second possible method. This would require a considerable number of regulatory bodies, one for each cartelized industry, each such commission fixing prices and determining output with the object of expanding production, employment, and consumption. The chief obstacle to success clearly would be the immense economic and political power of the monopolies to be regulated. How prevent the regulated from dominating the regulators? State regulation of public utilities in the United States has enjoyed a very limited

¹ See footnote 2, p. 156.

success, and intergovernmental control of an international monopoly would be even more difficult to establish. This follows from its size, the need for effecting agreement between the representatives of different countries, and the varying strength of the monopoly in different parts of the world. Careful study of the problem, which I must confess is outside the field of my special competence, may reveal distinct possibilities of applying the regulatory principle to particular industries.

Where neither regulation nor dissolution appears technically feasible, public ownership may provide the answer. National ownership of the constituent parts of an international combine, however, would almost certainly lead to rivalry and friction. The area in which the big cartels operate is world-wide; any scheme of control, therefore, must be international in scope. An attempt to solve the problem through public ownership would thus have to proceed through the formation of intergovernmental corporations, holding the entire monopolized industry in common. This need not preclude *operation* of the industry by private enterprise, through a management contract that provides incentives for efficient production.

It should be clear, in any event, that the substitution of responsible for irresponsible control of international monopolies constitutes a task of formidable difficulty and that it is improbable that any one solution will be adequate. Each of the suggested methods, or others that ingenuity may devise, should be tried, selection being based upon a thorough study of the particular cartelized industry in question.¹

No discussion of the means of building a better postwar world would be adequate if it failed to mention one problem, the solution of which is the necessary condition of the success of any and all measures designed to restore an expanding world economy. I refer to the maintenance of full employment in the leading industrial nations, but particularly in the United States. Walter Lippmann states the case eloquently:

For unless we can demonstrate to ourselves that with our resources and our industrial skill we have the wit to provide useful and profitable work for those who are able and willing to work, we shall once more, as we did in the '20's, lose the peace after we have won the war. We are now such a

¹ The most recent and thorough discussion of this problem will be found in Wendell Berge's *Cartels: A Challenge to a Free World*, published by Public Affairs Press, 1944.

preponderant part of the economy of the world that unless here at home we attain the stability of full employment, we shall be a force for disorder rather than for order everywhere.¹

Without the high level of income that accompanies full employment, international trade will languish, the surplus of capital for investment will be small, and an atmosphere of pessimism will smother the most earnest efforts at reconstruction. Without active and expanding foreign commerce, the incentive to participate in the removal of trade restrictions will be absent. Without ample savings for investment, both at home and abroad, the task of repairing the devastation of war must devolve upon those least able to assume it. And, since all aspects of what may be called an "expansionary, international, economic policy"—currency stabilization, freer trade, reconstruction of impoverished areas, elimination of agricultural surpluses, control of world monopolies—are intimately interrelated and require bold and imaginative international action, the whole program will collapse if we permit a postwar depression to engulf us.²

¹ Toward an Economic Foreign Policy, a series of articles published in the *Washington Post* in September, 1943.

² Maintenance of full employment is primarily a domestic problem for each of the countries concerned, and hence is outside the scope of this chapter. Excellent discussions are provided in *Postwar Economic Problems, op. cit.* .

PART II

Government and Society

CHAPTER VII

THE PLANNING PROCESS IN GOVERNMENT

JOHN M. GAUS

Some unnecessary quarreling and hence frustration and waste have developed out of the loose and varied uses of the word "planning," particularly in the past 15 years. I shall attempt in this chapter to find the meaning of the word in the processes of government so that it may be used for better communication and understanding. Many others, of course, are contributing and will contribute sympathetically to this endeavor.¹ Planning means to me the deliberate effort to provide better for the future, whether immediate or remote or both, by any and every effective means, including research, consultation, experiment, and appraisal. On the basis of the data and its appraisal, one can better make decisions as to how one should act now, with less slavery to whim, ignorance, or motives of which one is unconscious, and with some freedom from coercion by one's environment. Planning is therefore a process of preparing wiser decisions; and persons using a process are affected in their future behavior by what that use of processes does to their habits, since process is a conscious, formalized way of acting.

But in the partisan, factional, and personal controversies in the United States centering about what is generalized as "the New Deal," there is a widely accepted use of the word "planning" as meaning a particular theory of state functions and powers. It seems to be used as another word for socialism. It is also implied that this new theory—and practice—of government is incidental to the election of F. D. Roosevelt to the Presidency and to his application of capricious views through his appointments and programs. Such a view of planning blinds us to the actual historical development of our institutions in the present century, and it may dangerously inhibit our use of needed instruments in

¹ Note, for example, the essay—with so helpful a bibliography that my own efforts here may be shortened—by Clarence Ayres entitled *The Significance of Economic Planning in Development of Collective Enterprise* by Seba Eldridge and Associates, pp. 469–481, Lawrence, Kan., 1943.

the problems that will confront us, whatever the parties in power, in the difficult years that lie ahead. I, therefore, present here a sampling of the large amount of evidence of the widespread recognition in the United States in the past half century of the need for improved processes of collective action, particularly in government but also in industrial, commercial, agricultural, and labor organizations.

Less than 40 years ago, H. G. Wells suggested in a book about us that we lacked a "sense of state." His visit occurred at a time when many streams of experience, each, perhaps, too small to be noted at the time, were making their various ways toward the larger currents of political activity more clearly discernible today. What these different movements possessed in common was an intention to improve the processes of government and this because of a recognition of its increased importance in the achievement of what Herbert Croly called "the promise of American life."¹ These political activities coincided with the consciousness of what a young literary critic called "America's coming-of-age";² and the nature of this period, which we may locate in time roughly as from 1900 to the present, had been foretold by two young scholars and friends publishing their earliest observations in the eighties and nineties, Woodrow Wilson and Frederick Turner.³ Henry Adams penetratingly recorded the evolution of American society for the post Civil War decades, in which the later period had its roots, in *The Education of Henry Adams*. Our attitudes were so strongly rooted in our physical setting and customs that even today the significance of these currents is little recognized, and our resistance to their tendencies and application is charged with that kind of emotion that portrays "unresolved inner conflicts"⁴ and unex-

¹ CROLY, HERBERT: *The Promise of American Life*, New York, 1909.

² BROOKS, VAN WYCK: *America's Coming-of-age*, New York, 1915.

³ In his article The Study of Administration, published in *The Political Science Quarterly*, June, 1887 (Vol. 2, No. 2, p. 197), and republished in the same journal in December, 1941 (Vol. 56, No. 4) with an appreciative article by Lindsay Rogers, Wilson forecast much of the subsequent focusing of attention on public administration, just as Turner set forth the ecology of the development in The Significance of the Frontier in American History, an essay republished in *The Early Writings of Frederick Jackson Turner*, compiled by Edward Everett Edwards, pp. 185-229, Madison, Wis., 1938. See also DEWEY, JOHN: *The Public and Its Problems*, Chap. 3, The Democratic State, and Chap. 4, The Eclipse of the Public, New York, 1927.

⁴ FRANKFURTER, FELIX: *The Public and Its Government*, p. 4, New Haven, 1930.

amined experience. To relieve these frustrations we must first understand them. This is urgently needed if we are to achieve greater unity in resisting the external as well as the internal foes and if we are to realize fully the possibilities of a more satisfying life in the United States.

What are these currents of political activity? What problems and possibilities are revealed in our experience of them in these 40 or 50 years? Public policy gets applied concretely in administrative and judicial action; it gets conscious formulation in legislative action; it first achieves some looser but more broadly based electoral participation, in the act of the citizen as voter and participant in the associations that concern themselves with public questions. If my interpretation is correct, we should expect to find in all these processes of government evidence of a conscious effort to improve the processes of making decisions, of formulating policy. That evidence is substantial—so substantial that there is place here for only a brief sampling.

The planning process in administration has monopolized the interest of friends and foes; and so much has been written about it that reference here may be brief and oriented toward the major and general theme of the essay.¹ Deliberate establishment of public agencies whose function is the improving of our adjustment to and use of our environment is exemplified first in particular functions or activities, notably, for example, agricultural education and research, as in the provision for a national department of agriculture and in national grants to state agricultural experiment stations, in 1862 and 1887. War is always a stimulant to collective action and hence to planning. From the Civil War we got the National Academy of Science; from the Spanish War and Elihu Root's initiative in wrestling with the inadequacies of the War Department, our General Staff (a planning instrument first developed in Prussia early in the century by Scharnhorst to equip the country for the struggle with France); and from the First World War, the National Research Council.² But the formal employ-

¹ I have presented in greater detail some administrative experience that illustrates the development of the planning process in my memorandum to Dean Hudnut of the Harvard Graduate School of Design entitled *The Education of Planners* and published by the School at Cambridge, Massachusetts, in 1943. There are numerous references there to the chief writings on this subject, such as Robert A. Walker's *The Planning Function in Urban Government*, Chicago, 1941.

² And in the present war, the Office of Scientific Research and Development.

ment of the word "planning" in the process and structure of government is first seen in this country in the city planning studies and agencies of the present century, to which the metropolitan park program for Boston based on the studies of Charles Eliot in the nineties and the work of Daniel Burnham and his associates in the Chicago World's Fair, the reviving of the L'Enfant plan of Washington, and the making of the Chicago Plan made most influential contributions. The significant fact for our present purpose in the city planning movement is that it marked the first recognition of the need for a conscious taking thought of the problems of an organism, a collectivity, the city, which is perhaps the most striking phenomenon of civilization, as its etymology suggests, by men trained in design; and it should be noted that we were undergoing, from our first census in 1790 to those of recent decades, a change from a farm to a nonfarm society and to one whose majority are urban and metropolitan residents. The earlier use of government for agricultural research was directed at first mainly to the furthering of knowledge to be applied by individuals for their own advantage and thus, it was assumed, for the general good; but in the initiation of the city-planning process with however limited a scope, we began to be aware of the needs of a collective personality, the city (and now the metropolitan area and other types of regions), whose problems required attention before the individuals within them could deal effectively with their own private needs. Incidentally, we may point out here that the same stage of institutional evolution has been reached for rural areas, traditionally possessed of greater elbowroom for the individual and, following city-planning developments, we have moved into application in farming and forest areas of various collective policies of land-use planning.¹

Concurrent with the initiation of city planning was the founding (in 1905-1907) of the New York Bureau of Municipal Research,² and the spread of the governmental research movements to other cities, to states and the national government, either through voluntary citizen associations or—as initiated by the Socialists when they obtained control of Milwaukee city government in 1911

¹ On the history and organization of city and regional planning in the United States see Robert A. Walker, *op. cit.*, and my own memorandum cited above.

² Note that its founder, R. Fulton Cutting, was stimulated by his participation in the social work of various agencies in New York and his recognition of the importance of better government in the attack on poverty and its causes.

at the suggestion of John R. Commons¹—through public agencies. Within the past 35 years this movement, with such complementary movements as those for the short ballot and the city manager plan which aimed at more responsible governmental organization and procedure, has operated on every level of government from the local to the international. Its chief contributions have been in the subject matter of general organization and procedure, finance (including accounting, budgeting, and auditing), personnel administration, and purchasing; and the reports of the President's committees on administrative management and civil service improvement may be said to represent, with the establishment of the Executive Office of the President, a summation of many of the streams of influence and action originating in the movement.

Many, but not all! The same elements of increasing maturity in our institutions were reflected in the scientific management movement in industry and later in commerce and the recognition—which came slowly, sporadically, and in the face of obscurantism and resistance—of the need for adapting economic organization and procedure to the conditions of largeness of scale, specialization, and interdependence.² Whether one approached the new conditions from the point of view of production, investment, distribution, or consumption, the logic of the new situation led to a study of organization and procedure, to the devising of means whereby goals could be more accurately estimated and the means for attaining them defined. So far-reaching have been the implications of these approaches that they have led pioneers and disciples of the movement to a reappraisal of social objectives³ and a *rapprochement*

¹ See his autobiography entitled *Myself*, New York, 1934. A Bureau of Economy and Efficiency and a Municipal Reference Library were established. The governmental research movement in its earlier development is described in detail by Gustavus A. Weber in a study in administration of the Institute for Government Research entitled *Organized Efforts for the Improvement of Methods of Administration in the United States*, New York, 1919.

² For the part played in this movement by Frederick W. Taylor, see the life of him by Frank Barkley Copley, *Frederick W. Taylor*, New York, 1923, 2 vols. This is an indispensable book for students of these matters. Taylor's ideas of organization and procedure are summarized in vol. 1, Book III, Chaps. 8-10, pp. 274-303. The development of these ideas can be followed in the bulletins of the Taylor Society and (since January, 1936) *The Society for the Advancement of Management Journal*, its successor.

³ See PERSON, H. S.: (a leader in the Taylor Society and the development of management ideas), Planning: A Technique as Well as an Attitude of Mind, *Bulletin of the Taylor Society and the Society of Industrial Engineers*, vol. I, No. 2,

with staff workers in, and interpreters of, the labor unions and cooperatives, both urban and rural.

At the conference at the Amos Tuck School of Finance at Dartmouth in 1911 called by Dr. Person, the relationship of this approach to industry and commerce and to the governmental research movement, as represented by Frederick Cleveland, was explicit, and in the past 25 years it has been deepened and expanded.¹ Ideas have been enriched further by the findings of psychiatrists and social workers, which mingle in the programs somewhat vaguely assigned to the category of social security and compel the need for more careful preparation and integration of these programs with fiscal and public works policies. Here again we see how strategic and central is the role of budget making both in the determination of the current substantive program of a government and of its place in the economy and objectives of the society of which it has become so important an instrument.²

But the invention and spread of the study and development of organization and procedure looking to the improvement of policy making were not confined to administration. During these same years there were developing similar tendencies in legislatures and judicial administration. The same factors of increasing complexity and technicality of problems confronting legislators and

January, 1935, pp. 90-94; the writings of Mary Follett, notably the collection of her papers edited by Henry C. Metcalf and L. Urwick and entitled *Dynamic Administration*, New York and London, 1942, and the teachings in practice and writings of such pioneers as Robert Hoxie, Robert Valentine, Ordway Tead, Morris L. Cooke, John Ferris, and John R. Commons.

¹ As illustrated by the programs, personnel, and publications of the National Planning Association and the Association for the Advancement of Management. An example of the fusion of governmental and industrial organization research is to be found in *Monograph 11* of the Temporary National Economic Committee's Investigation of Concentration of Economic Power, by Marshall E. Dimock and Howard K. Hyde, entitled *Bureaucracy and Trusteeship in Large Corporations*, 76th Cong., 3d Sess., Washington, 1940.

² See ENSLEY, GROVER W.: A Budget for the Nation, *Social Research*, vol. 10, No. 3, September, 1943, pp. 280-300, and V. O. Key, Jr., The Lack of a Budgetary Theory, *American Political Science Review*, vol. 34, No. 6, December, 1940, pp. 1137-1144. See also Robert A. Walker, "The Relation of Budgeting to Program Planning," *Public Administration Review*, vol. 4, No. 2, pp. 97-107, 1944, and Horace W. Wilkie, Legal Basis for Increased Activities of the Federal Budget Bureau, *The George Washington Law Review*, vol. 11, No. 3, April, 1943, pp. 265-301, and Donald C. Stone, Federal Administrative Management 1932-1942, *Transactions of the American Society for Mechanical Engineers*, April, 1943.

judges as well as administrators were forcing a growing dissatisfaction with legislative and judicial organization and procedure. Early in the present century the work of Frank Avery Hutchins and Charles McCarthy of the Wisconsin Free Public Library Commission in developing a "clipping bureau" for the use of legislators laid the groundwork for a Legislative Reference Library which was located, when a new capitol replaced one destroyed by fire, in one of the four wings of the new building on the same floor as the Supreme Court, the Senate, and the Assembly. Both investigation of materials concerning substantive questions and the drafting of bills were services supplied to any legislator requesting them.¹ The Legislative Reference Library and bill drafting service have become widely accepted and useful instruments. The next movement was an effort to focus responsibility for the leadership of the party and the formulation of programs on a more powerful chief executive—the short ballot movement, in which Richard S. Childs was a pioneer. An important aspect of this effort was the emphasis on giving chief executives the duty of placing a unified financial program, or budget, before the legislature.² These movements were aimed at both administrative and legislative objectives. In the thirties, the American Legislators Association sponsored the further development of aids to legislatures, and a new instrument, the legislative council, a committee of the legislature established to prepare, during interims, for the next session, was invented.³ The

¹ Commons, *op. cit.*, pp. 108–110. A general description of the legislative reference movement after two decades was given by J. H. Leek in his *Legislative Reference Work: A Comparative Study*, Philadelphia, 1925. See also a typed bibliography compiled by Mrs. Hazel Kuehn of the Wisconsin Legislative Reference Library and available at the library entitled *Origin of the Idea for Establishing a Wisconsin Legislative Reference Library*, Feb. 5, 1942, for references to the creative and inventive work of Hutchins, Secretary of the Commission, and McCarthy, whom he assigned in 1901 to the project of serving the legislature. The commission had been established in 1895; in its *Fourth Biennial Report* (1901–1902), the establishing of the new activity is recorded (pp. 18–20). See also *Legislative Reference Work in the United States with Particular Reference to Wisconsin*, an M.A. thesis prepared by Eleanore J. Laurent at the University of Wisconsin, 1938 (typed). A copy is deposited in the Legislative Reference Library.

² BUCK, A. E.: *Public Budgeting*, pp. 3–34, New York, 1929. LIPSON, LESLIE: *The American Governor from Figurehead to Leader*, Chicago, 1939.

³ See WALKER, H.: Legislative Councils—An Appraisal, *National Municipal Review*, vol. 28, pp. 839–42, December, 1939, and Legislative Councils in Action—Their Financing, Operation, and Results, by F. H. Guild, *State Government*, vol. 16, p. 34, February, 1943. Dr. Guild has been most active in the reporting

adoption by the State of Nebraska of a unicameral legislative organization is another reflection of discontent with our legislative organization and procedure. But all the developments mentioned here reveal a more mature approach to the problem than that popular in the last century, which was characterized by the placing of restrictions upon the length of sessions, powers, and salaries of legislatures—a policy paralleling a similar one toward executives. So, too, the city manager movement was one that aimed to make the powers of city councils more comprehensive and effective, although we think of the movement as primarily one centered on the role of the chief municipal executive.

All these movements should be oriented in our appraisal toward the traditional and deep-rooted committee system of our legislatures. It is in the committees that we have had our most powerful planning agencies; and a serious problem has been, and continues to be, the relating of programs emerging from various committees, jealous of their historic occupancy of substantive functional fields such as agriculture, banking, highways, naval affairs, or foreign affairs, with a general balance of program and expenditure for the nation, state, or city as a whole. Another aspect of this program making is the review and appraisal to be made by the committee of the execution of legislation by the administrative agencies. This problem was noted by the President's Committee on Administrative Management; and in Part VI of its report, entitled Accountability of the Executive to Congress, as well as in Part III, entitled Fiscal Management, there are suggestions for the improvement of Congressional organization and procedure through audit and committee action. With the enormous expansion of government action in the

of these developments. He has long been director of the Kansas Legislative Council. Most recent developments in legislative reference and related services are presented by E. E. Witte in an article entitled Technical Services for State Legislators, *State Government*, vol. 11, pp. 32-34, February, 1938. A list of state reference services will be found in volume 15 of the same journal, issue of January, 1942. For a penetrating discussion of the role of legislatures in policy making as envisaged by the Interparliamentary Union, of which the Congress of the United States is a member, see B. Mirkin-Guetzvitch, The Technique of Liberty, *Political Quarterly*, vol. 5, No. 1, January-March, 1934, pp. 111-122, containing the resolutions adopted at the 29th Inter-parliamentary Congress of the union held at Madrid, October, 1933, concerning the strengthening of representative institutions against the rise of dictatorships. See also my The Case for Integration of Administrative Agencies, *Annals of the American Academy of Political and Social Science*, vol. 221, May, 1942, pp. 33-39.

present war, the question of Congressional organization and procedure has been more widely recognized and is reflected in several proposals and studies.¹ Senator R. M. LaFollette has recently suggested the reorganizing of the work of Congress through a small number of major functional and preferably joint committees, with adequate staffs; and the provision of "administrative assistants" for members of Congress, the attendance of Cabinet members at sessions of the House and Senate for debate and questioning, and a joint executive-legislative council, somewhat of the kind established at the suggestion of his brother Governor Philip La Follette for the State of Wisconsin in 1931 and abolished in 1939, when some of its functions were continued in a Division of Departmental Research. By 1943, several proposals, notably those sponsored by Representative Dirksen of Illinois (whose service on the Committee on Appropriations gave him a useful experience on which to build) for staffing Congressional committees, and one sponsored by Representative Kefauver of Tennessee providing for the presence of Cabinet members at a House "question period,"² witnessed the wider sentiment for better planning of legislative measures.

The appearance, in 1922, of Walter Lippmann's *Public Opinion*; the studies of parties, propaganda, and voting behavior instituted at the University of Chicago's Department of Political Science by Profs. Merriam, Gosnell, and Lasswell; E. P. Herring's work on interest groups; the work of the Princeton group in public opinion analysis; the founding of the *Public Opinion Quarterly*; the experiments with policy formulation and planning by the Republican party in 1920, more recently under the late Glenn Frank and most recently at the Mackinac conference, all testify to the operation of the same forces in this stage of the process of government as those we have witnessed for legislation and administration. And the wheel comes full circle when we note the attention given in recent years to public reporting, publicity, and public relations of administrative agencies, whereby the operations of government include the presentation of the administrator's view of those operations to

¹ A Senator Looks at Congress, *Atlantic Monthly*, vol. 172, No. 1, pp. 91-96, July, 1943. See GAUS, J. M.: The Wisconsin Executive Council, *American Political Science Review*, vol. 26, No. 5, pp. 914-920, October, 1932.

² Representative Kefauver's resolution is H.R. 327, 78th Cong., 1st Sess. Representative Dirksen's resolutions for joint committees and staffs are H. Con. Res. 2, 3, and 8; H. J. Res. 10, 19, 57, 66 and 171; 78th Cong., 1st Sess. On Congressional policy planning, see also Edward S. Corwin, *The President—Office and Powers*, pp. 297-308, New York, 1940.

the citizens and an analysis is undertaken of citizen attitudes toward them.¹ In all this study of public opinion we reach out toward the work in applied psychology, including the developments in the field of commerce in market and sales analysis, that was a logical development of Taylor's search for management techniques and planning which would make possible a regularization of production by a clearer definition of marketing and distribution goals—a task essential alike to competitive and collective economic systems, and much alike for both behind the somewhat distorting façades of overt theory.

There remains, in our quest for evidence of the adoption of planning procedures in our government, the noting of its presence—most shocking of all!—in our judicial system. Fostered by judges, lawyers, and scholars through such organizations as the American Judicature Society,² the movement for improving the resources and procedure of our judicial systems has in the past 25 years expressed itself in the establishing of judicial councils, codes of procedure, and the National Conference of Judicial Councils.³

The adoption by Congress of the act of June 19, 1934, (Chap. 651) conferring power on the Supreme Court to prescribe rules of procedure for the district courts, has been followed by the preparation of such rules and their adoption.⁴ The Judicial Councils are

¹ Note the account given by James L. McCamy in his *Government Publicity*, 1939, and an article by Hans Skott entitled Attitude Research in the Department of Agriculture, *Public Opinion Quarterly*, vol. 7, No. 2, pp. 280–293, Summer, 1943.

² See Concerning the American Judicature Society, *Journal of the Society*, vol. 20, No. 1, p. 9, June, 1936, by its Secretary-Treasurer, Herbert Harley.

³ See The Judicial Council as an Aid to the Administration of Justice, by Edson R. Sutherland, *American Political Science Review*, vol. 35, No. 5, October, 1941. In the same journal, pp. 933–40, L. S. Saxe describes The Judicial Council of the State of New York, Its Objectives, Methods, and Accomplishments. The National Conference publishes an *Annual Handbook* and in vol. 4, 1942, Maynard E. Pirsig has usefully summarized the movement up to that time in his *Judicial Councils*, pp. 62–71. These movements, including that for an “integrated bar” may be currently followed through the indexes of *The American Bar Association Journal*, *The Journal of the American Judicature Society*, and *The Index to Legal Periodicals*, the integrated bar movement being indexed usually under “Bar Organization.”

⁴ Rules of Procedure for the District Courts of the United States (transmitted to the Attorney General by Chief Justice Hughes, Dec. 20, 1937), U.S. Supreme Court; see also Rules of Civil Procedure for the District Courts of the United States with notes as prepared under the direction of the Advisory Committee and Proceedings of the Institute on Federal Rules, Cleveland, Ohio,

usually composed of judges from the various courts of a state and lawyers and law-school teachers; some include laymen. Some have paid staffs and regular budgets.

These references to such numerous and varied developments in the processes of policy making have generally not been discussed as part of a single pattern or tendency, and their presentation may have served only to confuse the reader. Let us summarize and seek their meaning. Underlying these developments is the long emerging of the modern national state from medieval institutions, crystallizing about the core of a bureaucracy because it has served as an instrument for collective public services. Planning has therefore always been an essential process in the modern national state in that the formulation of policy has required the adjustment of many attitudes and interests to the problems that have challenged groups and individuals. This situation became more urgent and intense as the application of scientific technology to manufacture, agriculture, and transportation became more widespread and inventions multiplied; and with the resulting interdependence, actions formerly circumscribed and private in their observed effects rippled out more rapidly to create public questions and the need for the public's recognition and organization. The scientific analysis of the resulting problems of methods of administration, legislation, and the formulation of opinion has come latest, following forces set in relentless movement not only in our use of the physical environment but by the same inquiring and critical attitude of mind applied to human relations, institutions, and objectives. The concern with planning is, therefore, not a whim of a school of theorists but an aspect of modern political and economic systems, tardily recognized, and given different labels in different areas of activity—city planning, scientific management, general staff, rationalization, judicial councils, legislative councils, cabinet secretariats, responsible government, and many others. One cannot wisely ascribe goodness or badness to this development as a whole. "The state is as its officials are," says Dewey. The question must be explored in terms of a particular process and its adequacy—its organization, its personnel, and its accomplishment. It may give good planning or bad, or—as is usually true—both. But the fact that at every level of government, in every section of the country, and in every

aspect of government we find this tendency is proof that we have reached a stage of our political evolution and not that we have fallen under the capricious dictation of a person or a party.

To recognize a stage of our political evolution and to reject the explanation that ascribes our problems to a personal or corporate devil, is a step, the first step, toward wise treatment of them. Two world wars, with an intervening period crammed with problems, have given us a costly if varied experience from which we can begin to make deductions. I have space to indicate only two or three.

Structure, relationship, organization are important to the efficacy of the planning process.¹ Granted the importance of personality, the failure to analyze carefully that flow of activity and integration of the many constituent parts of the total process, especially where so many currents of experience and thought are necessary for so interdependent and delicate an organism as modern society, is frequently a major cause of conflict. Personality itself needs an institutional setting where organizations and groups have supplanted fact-to-face relationship, and institutions themselves develop a corporate personality that should be recognized. Thus a department, a bureau, or a profession possesses, from experience with its problems, codes and outlooks. When F. D. Roosevelt became President, the absence of adequate equipment for the Presidency for the great tasks of that office as an institution was only partly met by an *ad hoc* "brain trust"; and to place what should have been general-staff aides, divorced from operating responsibility and power and assigned to facilitating the collection and appraisal of experience and knowledge, in such operating posts as those of Assistant Secretary of State and of Agriculture was to court difficulties that subsequently arose. These difficulties were inherent in that persons whose official positions were in the line of operating agencies which were properly evolving their own proposals that would be reviewed by the Chief Executive from a comprehensive all-over point of view were also assisting the President in his task and, therefore, were presumably dealing with policy problems from two conflicting and contradictory points of view. The operating department or bureau would distrust their activities as dispassionate staff aides to the Chief Executive, while their

¹ Note, for example, the issue of *Planning* of Nov. 16, 1943 (No. 214), on A Civil General Staff as illustrative of the serious attention given to this question in the United Kingdom by the organization Political and Economic Planning.

function in the unformulated post of staff aide might be colored by their place in the operating department. The failure to have provided the Presidency with a diagnosis and theory of its role under the conditions that had been emerging in the past half century was responsible for makeshift arrangements that conditions forced for adoption in a crisis.¹

And yet—and this is another example of the importance of right structure and process—the general staff must be familiar with operating conditions; it must know the resources of knowledge and experience in the operating departments; it must have some feel of the problems confronting them and the context within which they operate—free from their special predilections, fads, methods, and corporate attachments and loyalties, yet aware of them. It must, for example, be acquainted with the contributions of the Engineering Corps to watershed problems, and also with those of the Soil Conservation Service, the Reclamation Service, the Forest Service, the Geological Survey, and the Tennessee Valley Authority. And to be really useful to the Chief Executive, it must so function that jealous bureaus have confidence in its integrity, have a faith that their own particular situations are fairly reflected in the total picture that the Chief Executive will be given. Lloyd George has characterized this problem of government brilliantly in his *War Memoirs*, both in describing the difficulty in getting broad views from operating officials and in finding staff work that reflected adequately the operating conditions. As to the first, he remarks of two famous generals that

their abilities were average, their obstinacy was abnormal. That type, in a narrow trench which had to be held at all costs, would have been invaluable; commanding a battlefield that embraced three continents their vision was too limited and too fixed. It was not a survey, but a stare. It was not that they were incapable of seeing anything except what was straight in front of them, it was that they refused to look at anything else and counted it a dereliction of duty to turn their eyes in any other direction.²

But when one turned, for the broader view, to the General Staff, there was the other difficulty.

Unfortunately, the General Officer who prepared the plans for attack after attack across kilometres of untraversable quagmire, and the general

¹ There is more extended discussion of this question in *The Frontiers of Public Administration*, by Gaus, White and Dimock, Chicago, 1936, esp. at pp. 75-85.

² *War Memoirs of David Lloyd George*, vol. 6, p. 13, Boston, 1937.

who had control of what was by a strange irony called "Intelligence," and whose business it was to sift all the information that came in, and to prepare the reports upon which plans were based, never themselves got near enough to the battlefield to see what it was like. They worked on the basis of optimistic reports in the shelter of a remote chateau, out of sight of the mud and far from the sound of the deadly clatter of the machine guns. . . . A great deal of the catastrophe is due to the change effected by modern methods of warfare in the opportunities and therefore in the personal risks and responsibilities of commanders. At Waterloo, Napoleon and Wellington could see the whole battlefield with their eyes, and with the help of field glasses almost every hump and hollow. Even then Napoleon overlooked the sunken road. . . . Thus G.H.Q. never witnessed, not even through a telescope, the attacks it ordained, except on carefully prepared charts where the advancing battalions were represented by the pencil which marched with ease across swamps and marked lines of triumphant progress without the loss of a single point.¹

The central point at which operations and staff mingle, and which seems to me the single most important one in the modern state, is that occupied by the budget staff. This is because every act of government inevitably must be reflected in the plan of expenditure and revenue; because such a plan touches every citizen and hence is a constituent element in political programs; and because in recent years the relation of government fiscal policy to the health of the economy generally has become more decisive.² The analysis of budget proposals coming from operating departments is a natural part of the job of the central budget agency, and equally natural is a scrutiny by it of their wider and longer implications; hence support for both the function and a staff to perform it comes less grudgingly from the legislature and the operating departments, which are inclined to look askance at a special "planning" agency, so designated. It is more clearly understood by now that a budget agency does not of itself make the policies or plans, but facilitates the work of the politically responsible Chief Executive and legislators. The fact that recently the President has assigned to the Bureau of the Budget³ the duty of reviewing departmental programs for a 3-year period is significant of the logic of budgeting as a part of the planning process. The National Resources Planning Board

¹ *Op. cit.*, vol. 4, pp. 421, 422, 424.

² This was foreseen by John A. Hobson, whose ideas of "welfare economics" and of the importance of purchasing power seem to me anticipatory of much contemporary thought stemming from the writings of Keynes and Hansen.

³ Executive Order 9384, Oct. 4, 1943.

was handicapped both by its structure and its title, as the existence of a committee of lay citizens, after the fashion of many city planning boards, in the Executive Office of the President led to confusion as to their role and the meaning to be attached to their reports. Were they the policy recommended by the President? Were they policies recommended by the operating departments concerned? Was planning in the executive departments to be officially subordinate to them? Would these committee members be setting the objectives of national action, instead of the elected President and legislators? On a departmental scale, the role of the Bureau of Agricultural Economics in the Department of Agriculture, after the reorganization of 1938 in which it was assigned the "planning" function of the department, similarly was the subject of conflict and a source of some confusion. These and other examples that we can find in any appraisal of the developments in the present century illustrate the great and underestimated importance of the most careful organization of the planning process and the institutionalizing of the role of strategic personnel who are placed in a most delicate relation with politicians on the one hand and career experts on the other.

Brooks Adams wrote:¹

Administration is the capacity of coordinating many, and often conflicting, social energies in a single organism, so adroitly that they shall operate as a unity. This presupposes the power of recognizing a series of relations between numerous social interests, with all of which no single man can be intimately acquainted. Probably no very highly specialized class can be strong in this intellectual quality because of the intellectual isolation incident to specialization; and yet administration, or generalization, is not only the faculty upon which social stability rests, but is, possibly, the highest faculty of the human mind.

These wise words, that anticipate so much subsequent history, are to be pondered by those engaged in the social studies, who have a special responsibility in preparing both personnel and institutional devices, adequate for the emerging society. We may cite Jeremy Bentham as such an inventor, as Graham Wallas has done,² and like the latter, help others to emulate such a pioneer. "It may be," writes Wallas, "that some young Bentham in the now growing generation will find himself in middle age toiling with the help and

¹ ADAMS, BROOKS: *The Theory of Social Revolutions*, Chap. VI, The Macmillan Company, New York, 1913.

² WALLAS, GRAHAM: *Men and Ideas*, George Allen & Unwin, Ltd., London, 1940. My quotation is from p. 48, pp. 19-48.

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not against the opposition and contempt of the social forces of his time." It will help if we have shown to our readers how widespread and varied have been the efforts of pioneers in the present century to reveal the stage of our political development and to equip us with better instruments of creating common policy. Our problems are so vast and difficult that we cannot afford to dissipate energy and good will in conflicts due to ignorance and misunderstanding concerning the nature of our tools.

CHAPTER VIII

POSTWAR AMERICAN FEDERALISM

DAVID FELLMAN

However hazardous prophecy may be, it is safe to say that federalism will remain at the center of controversy in postwar America. It is equally certain that federalism will continue in the future in the state of flux that has always characterized it in the past. For federalism is essentially a compromise between centrifugal and centripetal forces and, like most political compromises, lacks the element of finality. At best, the point of equilibrium between national and local power represents an uneasy and provisional arrangement of competitive forces within the national community. The constitutional allocation of powers, which is the hallmark of federalism is, after all, man-made. It is compounded out of political tensions, regional conflicts, competing doctrines, and the pushing and hauling of economic, social, racial, linguistic, and confessional interests. It grows out of the necessity of appeasement as well as out of considerations of principle. It is always subject to change, for the price of its remaining alive is continuous adaptation to experience and reality. "The question of the relation of the states to the federal government," Woodrow Wilson once wrote, "is the cardinal question of our constitutional system. It cannot be settled by the opinion of any one generation, because it is a question of growth, and every successive stage of our political and economic development gives it a new aspect, makes it a new question."¹

I

Although the Federal idea has not been a fixed quantity in the ebb and flow of American history, it is a truism to say that the irresistible tendency has been in the direction of a steady growth of national power, both in an absolute sense and relatively with respect to the original design of state power. From the legal point of view this has come about through a broad construction of the

¹ *Constitutional Government in the United States*, p. 173, New York, 1908.

clauses of the Constitution delegating authority to the national government, and particularly through a sweeping exploitation of "implied powers." Every one of these clauses has served as a peg upon which to hang implications, notably those granting power over the subjects of taxation, spending, interstate and foreign commerce, war, and the postal system. By this method, the awkward and difficult method of formal constitutional amendment has been successfully by-passed. In fact, the efficacy of this expedient is extremely doubtful, since judges who are determined to construe the Constitution strictly are free to emasculate clauses granting power. On the other hand, if judges interpret the document broadly, as they are privileged to do, additional formal amendments appear to be unnecessary, at least for the predictable future. Witness the willingness of the Supreme Court to find in the existing grants of power authority for extensive Federal activities in the fields of social security and labor relations.

It should never be forgotten, in considering the future of our Federal system, that the national government is the judge of its own competence. For if Congress, the President, and the Supreme Court are in agreement as to the interpretation of a constitutional clause, there is very little, if anything, that the states can do about it. Furthermore, it should be recalled that while the Supreme Court is the referee of the Federal system, arbitrating in an authoritative fashion conflicting claims to power of the state and national governments, it is at the same time an arm of the national government and over the years has taken a national point of view. Field has pointed out that "the Supreme Court of the United States has been as impartial an umpire in national-state disputes as one of the members of two contending teams could be expected to be The states, as members of the federal system, have had to play against the umpire as well as against the national government itself. The combination has long been too much for them."¹

Any assessment of the future of the Federal balance of power must take into account the fundamental reasons that explain the relentless growth of the authority of the national government. Certainly it is not to be ascribed to the evil designs of power-hungry men. No doubt, men with power often desire more, and it cannot be denied that administrative bureaus, once established, are quick to discover compelling reasons for expansion. Neverthe-

¹ FIELD, O. P.: *State versus Nation, and the Supreme Court*, *American Political Science Review*, vol. 28, p. 233, April, 1934.

less, the point should not be exaggerated, and the almost universal tendency to explain all social and political developments in terms of "human nature" should be resisted. The fact is that in the great cases of major regulation, Congress has moved only after prolonged agitation and debate, giving in very often with great reluctance to persistent popular pressure. Certainly it cannot be said that the first great Federal effort at economic control, the Interstate Commerce Act of 1887, was enacted with any sort of gay abandon by a power-hungry Congress. On the contrary, it was pushed into adopting the statute only after every other expedient of state control had been tried. Even so, the original powers of the Interstate Commerce Commission were severely limited and were later expanded step by step as the necessities of transportation and the protection of the public interest pointed the way. It would be idle to speculate how much the craving for power contributed to the swelling of the national authority, and it would be misleading to get bogged down in an analysis of human motivation. This development has a natural history.

The plain truth is that the power of the national government has been growing because the basic elements of the American community have become nationalized. In the measure that a nation has developed, with national needs, national action has become inescapable. Increasingly, our major problems concern the country as a whole and demand national treatment, if they are to be handled effectively. Consider, for example, the impact of giant corporations, of national trade-unions, of modern means of communication and transportation, of prolonged economic depression, of swiftly moving criminals, and of the quest for security on the part of the aged, upon the life of the American people. In the long run, there seems to be a tendency for political power to pursue a problem, even across a state line.

Furthermore, side by side with a growing consciousness of the essential unity of American life, an awareness of the disadvantages and inconveniences of federalism has been rising to the level of a general sentiment. The price we pay for federalism is not inconsiderable. It has led to serious interference with the nation's economic life through the proliferation of troublesome trade barriers. It has inhibited the adoption of desirable social legislation by the states owing to the fear of the economic consequences of high standards resulting from the competition of low standards. It has encouraged large-scale resort to legal subterfuges for

the evasion of state laws on such subjects as marital relations, crime, taxation, and corporation charters. The states have been unable to finance adequately necessary social services, especially in the fields of education, social security, and public health. Many states simply do not have the resources for the achievement of maximum efficiency in government. Federalism has had the result of giving the country too many laws and too many variations of law on the same subjects. It has led to endless conflicts of jurisdiction on all levels of government. No less important, it has permitted and even encouraged the festering of local tyrannies and injustices.¹ There are many who doubt whether the nation can now afford a Federal system originally designed for a less complicated and more leisurely age. Laski has written,

It is insufficiently positive in character; it does not provide for sufficient rapidity of action; it inhibits the emergence of necessary standards of uniformity; it relies upon compacts and compromises which take insufficient account of the urgent category of time; it leaves the backward areas a restraint, at once parasitic and poisonous, on those which seek to move forward; not least, its psychological results, especially in an age of crisis, are depressing to a democracy that needs the drama of positive achievement to retain its faith.²

The logic of our times, the world over, seems to be in the direction of centralization. Wherever Federal systems still exist, as in Canada and Switzerland, power has been shifting to the center.³ Federal systems of the past, such as that of Germany, have disappeared altogether. The present distribution of power in the American system is a far cry from that which existed in 1776, when independence was proclaimed, in 1781, when the Articles of Confederation were ratified as America's first written national constitution, or in 1789, when the present Constitution was put into operation. The same tendencies are clearly discernible within the states themselves, where increasingly the state governments are taking over, in whole or in part, the administration of functions tradition-

¹ An excellent brief summary of the weaknesses of decentralization will be found in George C. S. Benson, *The New Centralization*, Chap. 2, New York, 1941.

² LASKI, HAROLD J.: The Obsolescence of Federalism, *New Republic*, vol. 98, p. 367, May 3, 1939.

³ DAFOE, J. W.: The Canadian Federal System under Review, *Foreign Affairs*, vol. 18, pp. 646-658, July, 1940. RAPPARD, WILLIAM E.: *The Government of Switzerland*, Chap. II, New York, 1936.

ally left to the province of local government. The rapid growth of state-collected, locally shared taxes, and of state grants-in-aid for education, public health, assistance, and highways, attests this development. Sait writes, "States move forward from alliance to confederacy, from confederacy to federation, from federation to complete union; that is, from lower to higher forms. These successive forms, therefore, may be regarded as a biological series. It is by no means of universal application; what we have here is a tendency, not a law."¹ Many students of government believe that federalism is essentially a transitional form, standing roughly at the mid-point between one form of unity and another.

II

Whereas it may be true that federalism is a way station on the road from loose confederation to complete centralization, this is so only when viewed in the perspective of a whole historical epoch. In the short run—and politics is pretty largely concerned with the short view—the picture may be quite a different one. The student of human affairs is not obliged to anticipate the shape of things to come for an indeterminate future. In fact, he is apt to be more useful if he confines himself to a reasonable period of time. So far as the American Federal pattern of government is concerned, he may discern certain trends now in motion which are likely to persist in the immediate postwar world. It is sufficient if he analyzes them with care and understanding. Long-range prophecy he may well leave to the prophets.

In a sense, the major question is: Shall we have any federalism at all in the postwar period? Since it is quite certain, however, that something in the nature of a Federal system will survive for our time, the questions worth serious discussion are less drastic in character. They deal not with the existence of federalism, but with its character, its points of emphasis, its tendencies. Will the enormous accumulation of national power engendered by the necessities of war survive after the shooting stops? Will the drift toward centralization be accelerated in the near future or slowed down? Will the states continue as vital agencies of local management? What forces in the American community are likely to support the claims of traditional decentralization? These are the compelling questions. Although they cannot be answered with any

¹ SAIT, E. M.: *Political Institutions: A Preface*, p. 375, New York, 1938.

sort of finality, the available evidence suggests that federalism is not yet a corpse and is not likely to become one in the predictable future.

The Continued Vitality of State Government. At the outset, it should be noted that the increase in the powers of the national government in the past few decades has not necessarily been at the expense of the states. To be sure, in some important measure national authority has invaded, by direct or devious means, the area of traditional local activity. But the expansion of that authority has proceeded largely from a more intense exploitation of powers already legitimately in the hands of the central government. While national power has been expanding, the same thing has been happening at the state level as well. What we have been getting in recent years is simply more government, more government at all levels of authority. The objection to centralization is, in considerable measure, an objection to government at all levels. Many who are now taking refuge in "states' rights" as a bulwark against Federal power would just as readily turn to the national government for protection against the states if the latter should seek to impose the same tax and regulatory measures.

The states are still important units of government. Although Congress legislates more today than ever before, the same holds true for the state legislatures. The President is a more powerful executive today than ever before in our history, but the governorship has also reached new heights of power and influence. Both state and national bureaucracies have grown in size and power; delegated legislation is a feature as much of state lawmaking as it is of national. The growth of the Federal commerce power has been matched by a fuller development of state control over economic life. State budgets have been enlarged through the pressure of public demand in almost the same measure as Federal budgets have responded to an insistent popular desire for more services. Governor Broughton of North Carolina recently declared,

Set against its own past, the state is today an infinitely more powerful governmental unit than it has been at any time in the Nation's history. What the States have been forced to surrender to the Federal Government, they have more than made good with extensions of their own authority over the lives and fortunes of their citizens. . . . The American State of today is not an anaemic government that lives precariously on the crumbs of authority that may be dropped from the overflowing table of federal power. It is a vital, indispensable political unit that has broad-

ened its authority to cope with the changing circumstances of a changing civilization.¹

Thus, the states have a greater fiscal importance today than they ever had in the past. Whereas in 1930 total state tax collections came to a little over 2 billion dollars, the total revenue of state governments during the fiscal year 1942 amounted to 6.1 billion dollars and their expenditures to 5.8 billion dollars.² Since about 1930 the state legislatures have been the scenes of unprecedented activity. They have all adopted comprehensive legislation establishing systems of unemployment compensation, old-age assistance, and child welfare. State public health departments have been either created or improved. Many states now have fair trade acts, labor relations acts, labor conciliation services, and laws outlawing the yellow-dog contract and restricting the issuance of court injunctions in labor cases. In the meantime, there has been a more thorough exploitation of time-honored state functions, such as those dealing with roads, education, public institutions, the regulation of agriculture and business, the conservation of natural resources, and police power regulations seeking to protect the public health, safety, and morals. If it is true that the states are dying, it may be said with some confidence that the patient will enjoy a long, lingering illness. When viewed from a standpoint that is founded upon something more modest than cosmic time, the American states seem to have a great deal of vitality left in them.³

The Role of the States in the Second World War. Some indication of the nature of this continuing vitality can be found in examining the role of the states in the prosecution of the Second World War. Notwithstanding the fact that the Constitution has made the conduct of war the responsibility of the national government, the states have in fact had a great deal to do with it. On this point

¹ BROUGHTON, J. M.: The Future of the States, *State Government*, vol. 16, p. 71, March, 1943. See also, GRAVES, W. BROOKE: *American State Government*, Chap. 23, rev. ed. Boston, 1941. BROMAGE, ARTHUR W.: *State Government and Administration in the United States*, Chap. 24, New York, 1936. DODD, WALTER F.: *State Government*, Chap. 21, 2d ed., New York, 1938. The State Constitution of the Future, *Annals*, vol. 181, September, 1935.

² Bureau of the Census, *State Finances*: 1942, p. 1, April, 1943.

³ The biennial digests of state legislation prepared by the Legislative Reference Service of the Library of Congress will give the student of state government a good idea of the range, complexity, and importance of the state legislative output. See *Current Ideas in State Legislatures*, 1940-1941, *State Law Digest Report 6*, Washington, 1942.

there is some difference of opinion. Witte has expressed the view that the states "have lost both prestige and personnel. . . . In this war . . . the state governments have suffered eclipse to a much greater extent than ever before."¹ On the other hand, Bromage believes that "cooperative administration has been broadened and intensified," that without it "many of the large-scale, war-winning federal policies could not have been administered on the home front," and that there has been "a rejuvenation of local initiative."² The general opinion seems to be that the state and local governments have participated effectively in the administration of the war program, both through cooperation with the Federal government and through independent action.³ In fact, well before Pearl Harbor, our local units of government were active in devising measures to cope with the many new problems that were suddenly thrust upon the nation when the defense program was inaugurated. The state legislatures adopted over 500 statutes during 1941 which were concerned with some phase of that program.

President Roosevelt wrote in June of 1942,

The States have been in the forefront of our war effort, they have perfected the organization of their defense councils to handle all civilian defense activities; they have established and operated a selective service system which has met with universal approval; they have set up machinery covering every community throughout the country for rationing and price control; and, in cooperation with the war agencies of the Federal Government, recently they have eliminated many impediments which were hampering the war effort.⁴

This is but a very brief description of the contribution made by local government to war administration in many of its most crucial

¹ WITTE, EDWIN E.: What the War Is Doing to Us, *The Review of Politics*, vol. 5, p. 18, January, 1943.

² BROMAGE, ARTHUR W.: American Government in War-Time: Federal-State-Local Relations, *American Political Science Review*, vol. 37, p. 48, February, 1943.

³ HOWARD, L. VAUGHAN, and HUGH A. BONE: *Current American Government: Wartime Developments*, Chap. 13, New York, 1943. WALTER, DAVID O.: *American Government at War*, Chap. 4, Chicago, 1942. BANE, FRANK: Cooperative Government in Wartime, *Public Administration Review*, vol. 2, pp. 95-103, Spring, 1942. Council of State Governments, *The Book of the States*, 1943-1944, pp. 1-7, 78-88.

⁴ Letter to Gov. Harold E. Stassen, Chairman, Governors' Conference, June 13, 1942, reprinted in *State Government*, vol. 15, p. 150, August, 1942.

phases. Whereas the purely military aspects of the war program—the supply and training of troops, the procurement of munitions and other instruments of war, the direction of the fighting at the fronts—are completely removed from state jurisdiction, and wisely so, the states have been of first-rate significance in dealing with weighty problems on the home front. Indeed, they have worked with the Federal government on so many important matters and in such a consistent fashion, that Federal-state-local cooperation has been greater than in previous days of peace. This has not come about because the states demanded a share in the war program, but because the national government found that local units could be extremely useful in doing many things that had to be done expeditiously and with some due regard for local sensibilities and regional variations. Thus, the Attorney-General recently declared that

as a matter of practical administration, the strength of 130,000,000 people cannot be fully mobilized for the war program, except through the utilization, at full capacity, of state and local machinery. It is only by the full utilization of the States' effort that a huge nation like ours, with its individual initiative, enthusiasm and devotion can be wholly enlisted in desired channels and saved from confusion and duplication of effort.¹

Some of the crucial maneuvers of the war on the home front, which impinge directly upon great masses of people, are being carried on through close Federal-state cooperation. This is especially true with regard to the administration of selective service, rationing, civilian defense, and the adjustment of highway transportation to war needs. The general principles of selective service are determined in the first instance by Congress and supervised by a national agency. Its application in concrete cases, at the level where the critical decision of classification is made, is in the hands of some 6,500 local boards. These are appointed on the recommendation of the governors and are under the general supervision of state headquarters locally staffed. Rationing is administered by the Office of Price Administration (OPA) largely though not entirely through the medium of some 5,500 local boards, appointed by the local defense councils, and in some measure, increasingly smaller, through state offices. The multifarious activities that are

¹ BIDDLE, FRANCIS: Federal-State Cooperation in Wartime, *State Government*, vol. 16, p. 90, April, 1943.

lumped together under the heading of civilian defense are mainly in the hands of state defense councils, which were created in every state, and local defense councils which were set up in almost every city of any size throughout the country. The functions of the Office of Civilian Defense (OCD) are principally advisory and hortatory, though it has some direct powers through the loan of equipment and through its control of the use of official insignia. The state and local agencies in the field are concerned with air-raid precautions, the provision of emergency police, fire and medical protection, and the safe-guarding of local utilities and public works. They have also dealt with savings campaigns, child care, public health and recreation, consumer interests, and facilities for men in the armed forces. With respect to three critically important local services—police and fire protection and the water supply—many local units of government, within states and across state lines, have entered into agreements calling for cooperation in case of emergency. The states work with the national government in the construction of access roads to defense plants, military camps, and sources of raw materials. They have also agreed to amend or repeal traffic regulations that tend to burden the free flow of interstate commerce, and they all decided to adopt the national speed limit of 35 miles per hour.

Other legislation adopted by the states deals with such varied subjects as sabotage, the handling of explosives and firearms, military traffic, health and sanitation areas, and the organization of state guards to replace the National Guardsmen who were called into the Federal service. The cities also, especially in the defense-plant areas, have been busily engaged in providing facilities, on a cooperative basis, or in managing facilities created by the national government directly. The "boom town" presented many serious problems which were largely beyond the financial resources of the cities themselves. With Federal aid, which has taken many forms, indispensable services have been provided. Under the Lanham Act of 1941, Federal grants were made, or loans were extended, or federally constructed projects were leased to the municipalities, for emergency public works, waterworks, sewage disposal systems, schools, and recreation facilities. Some 300 million dollars were appropriated for these purposes by the Federal government during the first year of the war. Loans have been made to the cities for housing construction, although a large part of emergency housing construction has been carried on as a direct

Federal activity. The cities have also cooperated to some extent in the enforcement of rent control measures, though as the war progresses this activity is becoming mainly Federal, being administered directly by the OPA.

Finally, state and local cooperation on war problems has led to the enactment of a large body of useful legislation removing pre-existing legal difficulties or offering some substantial accommodation to new ones. Among the positive results of this cooperation, the Office of War Information (OWI) listed, in September, 1943, the following items: uniform rules permitting most trucks carrying war materials to cross state lines unhampered; reciprocal licensing of passenger automobiles to facilitate interstate travel by war workers; the recognition of legal documents executed by servicemen before commissioned officers instead of notaries; the relaxation of strict rules relating to powers of attorney for servicemen; standard laws and building codes to meet the situation created by the scarcity of materials and the necessities of war housing; revision of state laws governing prison labor to permit the fabrication of war goods by prison inmates. The OWI also noted that "state and local cooperation has been greatest . . . where federal war agencies have recognized local autonomy, and used local machinery to administer regulations of national scope. Most difficulties have come from deviation from that principle."¹

It would be easy to exaggerate the contribution that local government has been able to make to the gargantuan task of administering an all-out participation in a global, total war. The big, spectacular decisions have undoubtedly been made by the Federal government. Clearly, the decisions of the Commander in Chief, of the General Staff, of the War Labor Board, of the War Manpower Commission, or of the Office of War Mobilization have overshadowed those taken by municipal defense councils and state highway departments. But it does not follow that the contribution of local government has been of little consequence. A correct estimation of the situation lies somewhere in between these extreme positions. Federal programs that touch rather closely the lives and fortunes of millions of citizens have unquestionably been administered with greater efficiency and justice through the utilization of the more intimate knowledge of the thousands of American communities that local units of government possess. The combina-

¹ O. W. I., *Report on Federal-State Cooperation on War Problems*, Sept. 6, 1943.

tion of Federal rule-making with local application at the point of contact has made it possible to temper the harshness of wartime regulations with the live-and-let-live attitudes that citizen boards are likely to display in dealing with their neighbors. The people have also derived some degree of reassurance from the fact that many of their interests have been managed by something better than impersonal, bureaucratic judgment exercised at long range. In any event, since the carrying on of war was never intended to be a state function, from the very beginning of our constitutional system, surely the states have not lost face because this war has been in such large measure in national hands. It would be an altogether different matter if war should become a perennial preoccupation of the American people, for federalism could never stand the strain of permanent war. Indeed, democratic government itself would never stand up under such circumstances. But this bridge should be crossed when we reach it, and the future of federalism should not be postulated on the basis of such an unlikely contingency.

Cooperative Federalism. These instances of joint Federal-state action are merely the most recent illustrations of a considerable history of cooperation. "Cooperative federalism" has come a long way in the past century.¹ It proceeds upon the assumption that the state and national governments are not necessarily antagonistic legal entities engaged in a perennial struggle for jurisdiction across a no-man's land policed by the Supreme Court. To the contrary, it assumes that they are public-service agencies designed to serve the same public with whatever means may be at their disposal. There are many problems which neither government is able to cope

¹ CLARK, JANE P.: *The Rise of a New Federalism: Federal-State Cooperation in the United States*, New York, 1938. KALLENBACH, J. E.: *Federal Cooperation with the States under the Commerce Clause*, Michigan, 1942. A Symposium on Co-operative Federalism, *Iowa Law Review*, vol. 23, pp. 455-616, May, 1938. BITTERMAN, H. J.: *State and Federal Grants-in-aid*, Chicago, 1938. KEY, V. O. JR.: *The Administration of Federal Grants to States*, Chicago: Social Science Research Council, Committee on Public Administration, 1937. Bureau of the Census, *Federal and State Aid*: 1941, April, 1942. MACDONALD, A. F.: Federal Aid to the States: 1940 Model, *American Political Science Review*, vol. 34, pp. 489-499, June, 1940. CORWIN, E. S.: National-State Cooperation—Its Present Possibilities, *Yale Law Journal*, vol. 46, pp. 599-623, February, 1937. KOENIG, L. W.: Federal and State Cooperation under the Constitution, *Michigan Law Review*, vol. 36, pp. 752-785, March, 1938. SANDERS, P. H.: Federal Aid for State Law Enforcement, *Law and Contemporary Problems*, vol. 1, pp. 472-483, October, 1934.

with satisfactorily without the aid of the other, and there is no insurmountable barrier standing in the way of their working together. It follows that it is in the public interest that they do work together. Experience demonstrates that a great deal of cooperation is possible on reasonably acceptable terms.

The Federal grant-in-aid has been the most important device used for the development of this new sort of functional federalism. It has been applied to many fields of activity: education, road building, conservation, social security and public assistance, child and maternity welfare, public health, forest-fire protection, vocational rehabilitation, and housing. During 1938 Federal grants-in-aid accounted for about 6 per cent of the national budget. In this manner the national government has found a way of combining its superior fiscal resources and capacity for setting up uniform policies for the country as a whole with the flexibility of local administration. The execution of the program has required both parties to give as well as take. Out of mutual concessions has grown a valuable form of intergovernmental action in which both parties address themselves to the performance of common tasks.

Cooperative federalism takes many other forms, of varying degrees of significance, some formal and some informal, some persistent and some spasmodic. There is a great deal of informal cooperation between Federal and state officials by means of discussion and conference, the exchange of facilities and services, and the loan of equipment or personnel. Some Federal-state contacts are in the nature of informal agreements or formal contracts. There is a considerable amount of cooperative use of government personnel, in the field of public utility regulation, for example. The administration of many state laws depends upon Federal action and, conversely, many state activities are helped along by Federal laws. Federal tax credits, as in the cases of inheritance tax and unemployment compensation legislation, impinge directly upon state policy. A very good example of Federal-state cooperation on a tremendous scale and taking every conceivable form is found in the field of criminal law enforcement. Every Federal agency having law-enforcement functions, and there is a large number of such agencies today, works with state and local peace officials in some measure, great or small. It is generally agreed that without this cooperation the Federal agencies could not possibly do their work effectively, at least as they are presently constituted.

It is quite likely that we shall have more and more cooperative federalism in the future. The trend is clearly marked. As the states and the national government learn how to work together at tasks requiring common effort, it may be anticipated that they will find it possible to invent new procedures which will make cooperative action an ever more effective weapon in dealing with many of the nation's general interests. It may well be that it offers the only possible solution for some of the major deficiencies of traditional federalism.

Nevertheless, it should be noted that a genuine cooperative federalism must be based upon both the ability and the willingness of the states to cooperate effectively and to maintain acceptable national standards of administration. The states must be willing to enforce impartially the provisions of the Federal Constitution and of acts of Congress, even when such provisions are locally unpopular. There has been some encouraging progress in this direction, but it would not be accurate to say that the problem no longer exists.

Furthermore, it should be recognized that this cooperation is not always freely given and that the states are not cooperating with the national government on a basis of equality. In most instances, the national government pays the fiddler and calls the tune. Important strings are always tied to grants of Federal money. The harshness of the exercise of power by the central government is mitigated, to be sure, by the participation of local agencies in its administration. The relationship here, however, is not necessarily a Federal one. It might very well exist in a unitary state, such as England, in which the tradition of local self-government is strong. If our states were to lose all vestiges of their "sovereignty," they might still be utilized in the administration of national policy. The very idea of cooperative federalism assumes two things: cooperation and federalism. It assumes that the cooperation must proceed on Federal terms. The preservation of these terms will be an important item on the agenda of postwar America.

The Possibilities of Interstate Cooperation. Still another form of cooperation is possible within the framework of the American Federal system. This is cooperation among the states themselves. Some of the irritations that inevitably develop in a system in which the states are juristic equals have been eliminated or reduced in some measure through various forms of joint action. Something of value has been accomplished through the adoption of uniform

and reciprocal legislation and interstate compacts, and by means of administrative cooperation and a great many informal understandings, practices, and conferences of officials.¹

The adoption of uniform legislation on a fairly large scale has been a particularly useful development. It has been stimulated by the tendency of the states to copy each other's statutes, by the creation of legislative reference services and legislative councils, and by private associations. Most important has been the work of the National Conference on Uniform State Laws, which was created by state statutes some 50 years ago. Increasingly, however, the impetus for the adoption of uniform legislation comes from Federal agencies, notably the Departments of Commerce, Labor, and Justice, and from such special bodies as the Federal Deposit Insurance Corporation and the Social Security Board. Although in a technical sense the states accept this federally inspired legislation voluntarily, the inducement in some instances, as in the case of unemployment compensation, is for all practical purposes irresistible.

The states have also adopted over 50 formal compacts dealing with boundaries, rivers and harbors, public works, conservation, taxation, and certain other social and economic problems. This method of securing agreement among states is cumbersome and difficult to manage. There is some reason to hope, however, that the states may yet learn how to use it to full advantage, especially as they come to understand that it offers a means of slowing down the further growth of national power. There are also various forms of administrative cooperation looking toward the adoption of uniform regulations and interpretations which help along the cause of interstate comity. In this connection, mention should be made of the work of the commissions on interstate cooperation. They have been functioning since 1935 under the auspices of the Council of

¹ GRAVES, W. BROOKE: *Uniform State Action: A Possible Substitute for Centralization*, Chapel Hill, 1934. FITE, E. D.: *Government by Cooperation*, New York, 1932. MOTT, RODNEY L.: Uniform Legislation in the United States, *Annals*, vol. 207, pp. 79-92, January, 1940. ROUTT, GARLAND C.: Interstate Compacts and Administrative Co-operation, *idem*, pp. 93-102. GALLAGHER, HUBERT R.: Work of the Commissions on Interstate Co-operation, *idem*, pp. 103-110. FRANKFURTER, F., and J. M. LANDIS: The Compact Clause of the Constitution—A Study in Interstate Adjustments, *Yale Law Journal*, vol. 34, pp. 685-750, May 1925. STARR, J. R.: Reciprocal and Retaliatory Legislation in the American States, *Minnesota Law Review*, vol. 21, pp. 371-407, March, 1937.

State Governments and have done yeoman work in arresting the tide of trade-barrier legislation.

The road that interstate cooperation in its various forms must travel is long and rough, and the results that have been achieved so far are very modest. Nevertheless, it is to be noted that the amount of such cooperation is steadily increasing and that the states are apparently learning some of the hard lessons involved in the business of getting on together. Certainly it cannot be said that its possibilities have been exhausted; on the contrary, the surface has scarcely been scratched.

The Improvement of State Government. The position of the states in postwar America derives additional strength from their capacity for self-improvement. Many critics of American state government have made much of the legislative and administrative weaknesses of the states, their clinging to outworn and inefficient procedures, their toleration of overlapping and confused lines of administration, their lack of research and corrective facilities, their retention of a tangled jungle of local government. These criticisms, once fully justified, are less descriptive of the actual situation today than ever before. For on the whole, the states have for some time been aware of these deficiencies and have moved a long way from the low estate to which they had fallen during the last quarter of the nineteenth century.

The legislative process has received much attention, particularly the rules of procedure and the committee system. Aids for the legislature have been created in many states, including bill-drafting services, legislative reference bureaus, and legislative councils. Administration has been strengthened a great deal through the reorganization of boards and departments and through improvements in personnel administration, including the adoption in many states of some sort of merit system. Fiscal practices have also been strengthened, notably through the widespread adoption of the executive budget system and of better auditing practices. The state judiciary has been improved in many ways, by experimentation with new types of courts, such as those dealing with domestic relations, juvenile delinquency, and small claims, and by the steady revision of civil and criminal law procedure.

It seems clear that the states have only begun to overhaul their governmental machinery. There is no reason to be other than optimistic about the great possibilities that lie ahead in the continuation of a current trend which seems to have gathered so much

momentum. The increased confidence that these reforms are engendering in the people may very likely serve as an additional bulwark against the trend toward centralization. "The best answer, indeed the only one, to the alarming and rapid spread of federal encroachment," an intelligent governor recently stated, "is to give to the people a better government through state agencies."¹

The States and Postwar Planning. It is clear that many state officials are determined to have a hand in the management of the nation's postwar readjustments. If social planning is to be the wave of the future, they seem to be eager to make sure they will not be left behind. If one observes the discussions now going on in conferences among them, in and out of the legislatures and in various publications reflecting the preoccupations of the state and local governments, it may be concluded that at least their intent is taking shape. For our states are not only aware of the nature of our postwar problems but are giving them a great deal of careful attention, and they seem to be inclined to do something about them.² If knowledge is power, the states, in accumulating facts and figures, may build up a strong position for fruitful participation in the upbuilding of postwar America. The fact that they are not preoccupied with the task of directing the war, as the Federal government is, does permit the states to concentrate, if they will, upon the problems that lie ahead of us.

The place of the states in postwar planning will be shaped, to some considerable extent, by the experience they have already had with planning boards. These boards have been functioning since 1934, and they seem to have become permanent fixtures of state government.³ Their scope has grown steadily as they sought to work on the problems thrust forward by the depression and later by the emergencies of national defense and war. In addition, they have, through practice, arrived at certain techniques. In its

¹ BROUGHTON, *op. cit.*, p. 70.

² KELLEY, HARRY F.: Governor of Michigan, Postwar Problems of Employment and Unemployment, *State Government*, vol. 16, pp. 113-114, 125-126, May, 1943. Governors Study War and Post-war Problems, *State Government*, vol. 16, pp. 175-181, August, 1943. RIGHTOR, C. E. and HUGH D. INGERSOLL: State and Local Government after the War, *National Municipal Review*, vol. 31, pp. 306-310, June, 1942. GULICK, LUTHER: Cities and Post-defense Planning, *Public Management*, vol. 24, pp. 3-8, January, 1942.

³ The history of state planning may be found in publications of the National Resources Planning Board: *State Planning*, 1935, 1936, 1942; *The Future of State Planning*, 1938; *The States and Planning*, 1938.

Resources Development Report for 1943 the National Resources Planning Board noted that four distinct trends were becoming more and more pronounced in the work of the state planning boards: a growing emphasis upon interagency cooperation on all levels of government; the coordination of state planning with the research work of institutions of higher learning and of technicians in the operating departments; the operation of the state planning board as a staff arm of the governor, growing out of the assumption by the governor of emergency powers and responsibilities; and finally, the preparation by the boards of specific action plans and programs, representing a shift in state planning work from mere research.¹

It may be anticipated that the wartime services of the state planning boards will carry over into the postwar period of readjustment and long-range development. State wartime planning has been concerned with many important subjects: population characteristics, transportation facilities, industrial surveys and inventories, housing and other community facilities, surveys of natural resources, industrial research, public works programming, aids to local planning, land-use planning, and programs of land-use readjustment. These are all continuing problems. Furthermore, many state planning boards are giving thought to specific postwar plans and to the need for permissive legislation to execute them. At present, they are concentrating upon the preparation of long-range public works programs, including assistance to local governments in the development of capital-improvements programs. They are recommending the enactment of legislation setting aside state funds during the war period to finance postwar projects and permitting the creating of special public corporations to carry on particular functions. They are also preparing plans for the development of resources on an area basis.

The states are utilizing a large number of postwar planning agencies.² Most of the state legislatures that met during 1943

¹ *National Resources Development Report for 1943*, House of Representatives, Doc. 128, Part II, 78th Cong., 1st Sess., pp. 82-83.

² Information on this subject will be found in the following publications: Dorothy C. Tompkins, *State Organization for Postwar Planning*, Bureau of Public Administration, California, April, 1943; Council of State Governments, Research Bulletin Series on Post-war Problems, *State Legislative Developments*, 1941-1943, May, 1943; News Bulletins, Public Administration Clearing House, Chicago, Aug. 30-31, 1943; National Resources Planning Board, *National Resources Development Report for 1943*, Part II, Chap. IV, *State Planning*, June, 1942.

enacted some sort of legislation on the subject. Local governments were authorized to set up postwar reserve funds, prepare master plans for long-term projects, operate agencies for special projects, and cooperate with other communities in joint planning enterprises. About a dozen states created new postwar planning boards, among them, the Missouri State Department of Resources and Development, the New Jersey State Commission on Post War Economic Welfare, the California State Reconstruction and Reemployment Commission, the Iowa Post-war Rehabilitation Commission, the Indiana Economic Council, the Georgia Agricultural and Industrial Development Board, the Oklahoma State Postwar Planning Commission, the Oregon Committee on Postwar Readjustment and Development, and the Illinois Postwar Planning Commission. Among the earlier boards of this type created before 1943 are the Massachusetts Committee on Post-war Readjustment, the New York Temporary State Commission for Post-war Public Works Planning, and the South Carolina Preparedness-for-peace Commission. Some 12 states created new agencies to deal with specific aspects of postwar problems, and several reorganized existing planning boards. Most of the states are relying upon the established boards to carry on postwar planning.

The statutes and executive orders that describe the functions and duties of these various agencies direct their attention principally to the following items: the encouragement of planning by private industry in order to create employment, retooling and reconversion, highways, airports, and other transportation facilities, public buildings and institutions, housing projects, municipal projects, liaison with Federal agencies, tax programs, reemployment both of persons discharged from the armed services and of persons engaged in war industries, social welfare needs, agricultural development, and the development of natural resources.

In addition to independent planning on the state level, a great deal of planning by local agencies has been carried on for some time in conjunction with Federal agencies.¹ Some of these activities relate to postwar problems. Thus, the Reemployment Division of the Selective Service System is setting up voluntary reemployment committees, to be affiliated with the local Selective Service Boards, and local clearinghouse committees to coordinate community activities relating to reemployment problems. Hundreds of state

¹ National Resources Planning Board, *Federal Aids to Local Planning*, June, 1940.

and local agencies have for some time been working with the Local Public Works Programming Office of the Federal Works Agency in the preparation of 6-year programs of essential public works that may be undertaken after the war. State highway departments are cooperating with the Public Roads Administration in blueprinting a postwar Federal-state road-building program of considerable magnitude.

From the beginning of the war the states were advised to put their financial houses in order and make plans for postwar fiscal needs. The Board of Managers of the Council of State Governments, during 1942, urged the states to pay off debts as rapidly as possible and build up sinking funds beyond scheduled requirements; rigidly restrict both new and customary expenditures; enact legislation permitting surplus financing with proper safeguards; build up reserves for emergency and postwar needs and provide safeguards to keep these reserves intact; maintain tax rates consistent with the objective of the economic stabilization program and the policy of building up reserves for emergency or postwar use; reappraise existing education, health, welfare, and related activities in the light of their relation to changed economic conditions; and prepare to offset a possible postwar depression by developing programs and blueprints for public works and services.¹

Many states have followed this counsel of prudence. On the whole, tax levels are being maintained, surpluses are being accumulated, and debts are being reduced. The United States Department of Commerce has estimated that the state and local governments, during 1940, 1941, and 1942, accumulated a total surplus of some 3 billion dollars.² Many states have made appropriations to carry on postwar activities of various sorts. Thus, California has authorized 12 million dollars for planning and acquiring rights-of-way for highway projects, 1.5 million dollars for postwar county highway construction, and 1.5 million dollars for school and state institutional improvements after the war. Michigan has taken steps to create a postwar reserve fund of 50 million dollars for meeting its postwar obligations. North Dakota has established a

¹ Wartime Fiscal Policies for State and Local Governments, *State Government*, vol. 15, pp. 241-244, December, 1942. Director of the Budget, Harold D. Smith, before a conference on emergency fiscal problems in New York City, on May 8, 1942, gave similar advice to the states. *State Government*, vol. 15, p. 123, June, 1942.

² U.S. Department of Commerce, *Survey of Current Business*, vol. 23, p. 19, March, 1943.

Veteran's Postwar Rehabilitation Reserve fund and Maine has set aside 1 million dollars for a public works reserve. Indiana has earmarked a 31 million dollar surplus, North Carolina a 20 million dollar surplus, and Arkansas has set up a postwar reserve with an initial appropriation of 6.5 million dollars. Laws have also been enacted by some state legislatures enabling local jurisdictions to plan for postwar needs and create reserve funds for that purpose. Most states have enacted some kind of legislation dealing with unemployment benefits for servicemen and with their rehabilitation and education.

These are commendable activities, but their importance should not be exaggerated. One has only to recall the enormous sums of money that were needed during the recent depression to understand that the states have made only a modest start in assuming financial responsibilities for postwar readjustment. Something more than good intentions and political denunciation will be required if the march toward centralization is to be halted. At the end of the war, the time will probably be ripe for a reaction, at least temporarily, against centralization. The commitments of the national government will be so heavy that it may find difficulty in continuing the fiscal policies that have so greatly facilitated the growth of national power. It will enter the postwar period with a huge national debt, a swollen military establishment, a heavy obligation to millions of veterans, and unparalleled international responsibilities. Furthermore, now that the Federal income tax falls directly upon the average citizen, a condition that is likely to persist for a long time after the war, it may be anticipated that he will take a more critical interest in Federal expenditures than ever before. On the other hand, the states will have financial reserves on hand, lighter debt burdens, and some plans for action. If the states genuinely desire it, they may regain much of their "lost" power, but they will have to demonstrate a willingness to assume financial burdens and political responsibilities beyond what most of them have shown in the past. Certainly magical results cannot be expected from merely offering incantations to the great God "Planning."

The Strength of the Theory and Tradition of Decentralization. Finally, any assessment of the prospects of American federalism must take into account the great strength of the theory and tradition of decentralized government. Vigorous local government is among the oldest traditions of the American people. It was a central feature of a century and a half of colonial history. It has

been an integral part of the American scene ever since independence was achieved. It is therefore deeply rooted in the American mind. "States' rights" is the core of an effective slogan, whatever may be the real motives of those who use it. It is advanced by people who are genuinely interested in the principle. It is used also by many as a screen for the protection of something else: white supremacy, the private ownership of public utilities, freedom from certain kinds of taxation, the support of local economic advantages or monopolies. But whatever the undisclosed major premise may be, the slogan is effective on the hustings.

Having witnessed the ravages of highly centralized dictatorship in foreign countries during the past two decades, the American people have become especially sensitive to the dangers of centralization. Many feel, rightly or wrongly, that federalism offers some additional security against a usurpation of power. The suspicion of power which has permeated American constitutions for a century and a half is expressed in part by the idea of checks and balances, one element of which is contained in the notion that the states are a counterweight to national government. It is felt by many that the concentration of all power at the center will invite the moral corruption that unchecked power breeds in those who hold it. They also believe that it may create a power system which ambitious men may too easily convert to the dictatorial pattern. In short, they believe that federalism supports so many centers of power that no single *coup d'état* can possibly be successful.

Furthermore, it is widely believed that federalism avoids many other evils of centralization, especially those associated with very large systems of administration. "The curse of bigness" is more frequently associated in this country with governmental bureaucracy than with any other aggregation of men and power. Many are convinced that the bureaucracy of the national government is already too large to be properly manageable, that it is getting bogged down in inertia, formalism, and red tape, that it is too complex, and that in its growing remoteness from the people it is becoming increasingly dehumanized and unresponsive to public opinion. Above all, one may anticipate as a result of the tremendous centralization of power during the war some sort of reaction in the postwar period in favor of greater decentralization. Though history does not necessarily repeat itself, it is not altogether irrelevant to note that there was such a reaction after the First World War, variously expressed by such movements as "back

to normalcy," political pluralism, and guild socialism. Just as the country tends to grow weary of idealism after a decade of reform and yearns for relaxation, so it may be expected that there will be a desire to deflate the national government, once the war emergency is over, and return to some less strenuous power system. Nevertheless, as in the past, this war will leave a permanent accretion of power in the hands of the national government. The clock may be turned back, but it will not be possible to turn it back all the way.

Furthermore, many of the time-honored considerations in favor of federalism will in all likelihood continue to carry a great deal of weight in the future. There is a common opinion that it creates a large number of political laboratories where new ideas may be tried out without having to commit the whole country to them and without running the risk of paying too great a price for mistakes. It is felt that federalism permits the citizen to separate state and local from national issues and hence gives him a chance to vote more discriminately. Many also think that federalism has the merit of keeping a great deal of government close to the people, where it must be kept if it is to remain democratic, and that it therefore has considerable educational value in training the citizenry in the arts of self-government. Undeniably, federalism facilitates the adaptation of government and law to local needs and sensibilities, which vary considerably from one section of the country to another. A wide public is persuaded that only federalism can suit the needs of as large a country as ours. John Fiske once expressed the opinion that it is the only form of government permanently applicable to a whole continent. "Barring unique Switzerland," Justice Frankfurter has remarked, "federalism is a response to size."¹

Paradoxically enough, however, the very sectional differences and rivalries that are commonly cited in support of federalism and states' rights may also be cited in support of a strong central government, if we are to have an effective national society at all. These very differences and rivalries made the Confederation ineffective and led to the formation of a stronger Union in 1787. If Mississippi cannot or will not support education and public health at a minimum level of adequacy; if California and the Southern states cannot be wholly trusted in the administration of their race problems; if Wisconsin insists upon imposing economic handicaps upon goods that compete with her own dairy products; if Iowa will not regulate

¹ FRANKFURTER, FELIX: *Mr. Justice Holmes and the Supreme Court*, p. 67, Cambridge, 1938.

marriages for fear that Iowa couples will go to adjoining states and spend "Iowa money" there; if Illinois will not regulate oil production in the interest of conservation, for fear that Kansas and Texas may benefit thereby; if New York is penalized for adopting legislation outlawing sweatshops by the willingness of neighboring Connecticut to accommodate them, then there will be a demand for greater and greater Federal regulation. It may be true that academic theorists and impatient reformers, in their demands for quick national solutions to social problems, do not sufficiently appreciate either the strength of the tradition of states' rights or the dangers of a highly centralized government in a country of continental proportions. It may also be true that some of the persons who resist social and economic reforms under the cloak of states' rights do not sufficiently appreciate either the implications of democracy or the institutional needs of a modern society.

III

The debate over centralization and decentralization is a debate that has no ending. The hue and cry of the past will continue into the future. The pointing with pride and the viewing with alarm will go on and on. There will always be those who will find it convenient, in seeking to resist a Federal statute for reasons of self-interest, to beat the tocsin for states' rights. There will be others who will appeal for an exertion of national power where they cannot have their way in the states. The party in power in Washington will continue to support the nationalistic point of view because it is in power and therefore has the responsibility for governing the nation. The opposing party, not being in power, and intent upon carrying on its function of opposition, will champion the cause of states' rights. Men pick up their arguments wherever they can, and the argument for states' rights carries weight. It requires no sophisticated understanding of the principles of psychoanalysis to grasp the fact that this appeal to states' rights is not necessarily insincere, when viewed from the standpoint of human motivation. Men groping for support could hardly avoid recourse to one of the nation's most effective symbols.

In the last analysis, the problem of federalism cannot be solved out of hand by recourse to a purely logical construction. No simple formula will do, according to which national problems should be in the hands of the national government and local problems within the sphere of local institutions. For one thing, the formula is not

at all a simple one, since there is no general agreement as to just where the line of demarcation should be drawn, and the doubtful cases are numerous and highly debatable. Furthermore, modern conditions of interdependence are such that any attempt to make national power coextensive with problems that are national in scope would mean an end to the vigorous local self-government which federalism assumes. Few indeed are the questions of contemporary life that do not in fact transcend the lines of local jurisdictions. If federalism is to be a reality, the powers of local government must necessarily be significant in the aggregate. It therefore follows that local government must be entrusted with responsibilities that with equal or even greater propriety and logic might be in the hands of the central government. McBain has written:

The states must have real powers, and this means that they must have control over numerous matters that are from many points of view of nation-wide interest and importance. If every power for which the "common interest" argument can be cogently put forward were to be transferred to the national government, federalism would give up the ghost. . . . If it is to live, there must be in its make-up a large amount of the artificial, the arbitrary, the illogical, the unscientific. . . . Indeed, under any genuinely federal system one might almost say of states' rights that "whatever is is right."¹

Justice Holmes once said that the life of the law has not been logic; it has been experience. The same may be said for the future of American federalism. Power will flow now in one direction, now in another, as the push of the moment dictates. No single concrete issue is likely, in our time, to put the nation in a position where it must choose sharply, once and for all, which path it will continue to tread. More likely, we shall continue to travel two roads at the same time.

¹ MCBAIN, H. L.: *The Living Constitution*, pp. 70-71, New York, 1928.

CHAPTER IX

LOCAL GOVERNMENT AND MODERN DEMOCRACY

LORENTZ H. ADOLFSON

THE PERENNIAL PROBLEMS OF AMERICAN LOCAL GOVERNMENT

Numerous and Conflicting Units. Successful local action on the challenging problems of peace will be complicated by the perennial weaknesses of American local government. The first of these is the sheer number of local units. According to William Anderson's recent enumeration there are over 165,000 units of government in the United States each having

. . . a resident population occupying a defined area that has a legally authorized organization and governing body, a separate legal identity, the power to provide certain public or governmental services, and a substantial degree of autonomy including legal and actual power to raise at least a part of its own revenue.¹

Inevitably these 165,000 units frequently overlap in jurisdiction and conflict in administration. On the urban side the over-all problems of a particular area cannot be tackled in an integrated fashion since there is rarely a single general unit with the authority to handle the problems of the area as a whole. Governmental policies and administration in such areas lack coordination, taxing power is diffused among a variety of units, and over-all financial management is either absent entirely or crude and inefficient. On the rural side many small units, such as Middle Western townships or school districts, have neither sufficient area, nor sufficient population, nor fiscal adequacy to handle even their ancient functions, to say nothing of new functions demanded by a modern rural population. Some progress in reducing the number of local units has been made,² but the large number still in existence presents a

¹ See ANDERSON, WILLIAM: *The Units of Government in the United States*, p. 10, Public Administration Service, Chicago, 1942.

² Anderson reports 10,369 fewer units of government in 1941 than were found in 1931. See *ibid.*, p. 2.

major weakness in the prevailing structure of American local government.

Unsatisfactory Organization. Many units of local government are attempting to perform modern tasks of government with an archaic political and administrative structural organization. The organizational weakness of the chief rural unit, the county, is notorious. Administration is dispersed between numerous separately elected officials and the general county board or commission. In many Middle Western counties using the supervisor, or large-board, type of organization there is additional dispersion of administrative authority among many committees of the board. Generally all major county officials draw their authority independently of one another from the state constitution or state statutes. Though some Southern counties have in the person of the county judge a quasi executive, in fact if not in law, most counties lack even this semblance of a central executive. Over-all integration of policies and administration is thus virtually impossible. The almost pure democracy of the smaller rural units—the towns, townships, and school districts—is perhaps adequate from an organizational point of view to the demands made upon them, though here also organizational difficulty arises when the units become even slightly urbanized, as witness the experience of many New England towns. These units, however, suffer weaknesses, detailed below, more serious than those merely of organization.

Most urban units use the mayor-council type of city organization, with the weak-mayor type still dominant. Under this type of organization both political and administrative responsibility is scattered among a number of elected boards, commissions, council members, and the mayor. No single authority is in a position to weigh carefully the over-all problems of the city from either an administrative or financial point of view. This dispersion of power and responsibility makes for inefficiency, waste, and, what is increasingly important, an inability to attack problems demanding careful and continuing integration of numerous functions and policies. Despite the growth of the strong-mayor, commission, and manager types of city organization, the problem of municipal organization requires the application of continued study, wisdom, and action.

Obviously, the structural organization of local units of government, both urban and rural, has not developed in a political or administrative vacuum. Expressing the desire of an earlier American public to retain close control over those local affairs with which

it was intimately acquainted, the structure of most local units became elaborately democratic, with frequent elections of hosts of local officials and no less frequent referenda on local policies. However, as governmental functions grew in volume and complexity, the voter became less and less competent to pass on the qualifications of myriads of local officials and on complicated public policies. Effective control of local government by the public was thus often lost. Powerful political machines exploited this situation to gain and to maintain control of local governments. From an organizational point of view, then, the question rises as to what types of structure for our local units not only will enable local officials to administer effectively the technical services entrusted to them but will also provide for public control that is at once intelligible and effective under modern political conditions.

Financial Inadequacy. Financial inadequacy is the paralyzing infirmity of modern local government, especially of the smaller units. In part this financial inadequacy is due to the declining productivity of the property tax, traditionally the chief source of local government revenue. Wealth has been shifting gradually from a tangible to an intangible base, with the base of American government taxation as a whole moving from property to incomes. Since the property tax is assessed primarily and most easily on real estate, this shift in the nature of wealth has inevitably diminished real property assessments, in all cases relatively and in some absolutely, and has necessitated either increased tax rates or the use of other sources of revenue for local units of government. In an effort to buttress the property tax, desperate efforts have been made to devise techniques of taxing intangible property, as witness the use of Federal income tax returns by Cook County and Chicago, Ill.

The change in the nature of property is not, however, the sole cause of the financial instability of local government. At least three other factors are of importance: (1) The relatively small and sparsely settled area of many rural units does not afford a sufficiently large revenue base for the maintenance of essential services. This factor is especially serious in economically poor regions—soil-depleted areas of the South, the “dust bowl” area of the West, and the “cut-over” forest area of the North—where flight from the country, though for different reasons, produces conditions not unlike those produced by “the flight from the city.” (2) The migration from the city has tended to push down assessed valuations of cities as a whole and to create ever-growing blighted areas and

slums, with no corresponding diminution in operating costs. (3) Functions and costs of local government have been increasing constantly. In conjunction, these factors have created a situation in which there is hardly a local unit in the nation able to pay the full costs of its local services out of its own independent tax revenues. As a result, the states and the national government have had to bolster the finances of most local units, a process leading inevitably to increasing control and direction of local government from above.

The financial problems of local government, especially those of the cities, are brought into sharp relief by the local impact of war. Local governments have been faced with increased expenditures due to civilian defense programs, to higher labor and material costs, and to a variety of other national war programs. Moreover, in concentrated war-production centers urban and rural governments alike have been faced with highly inflated general costs of government in order to provide such essential services as adequate protection, water and sanitation, and schools, to their expanded populations. At the same time in many urban and rural regions the national government has taken over large blocks of property, which are automatically removed from the local tax rolls. Though the curtailment of local public works has reduced operating costs somewhat and though tax collections are better today than they have been for a decade or more, the pressure on local finance is still severe. This wartime financial situation has led the national government to come to the aid of numerous hard-pressed communities with "payments in lieu of taxes" on property removed from the tax rolls, with outright grants of money in some cases, and by virtual operation of a few war-production areas where no local government machinery exists capable or willing to provide necessary government services. The states, too, have been forced in many cases to increase their grant-in-aid programs to local units. As a result, the financial position of local governments and intergovernmental fiscal relations are in great flux, and pose difficult problems of postwar adjustment.¹

Urban-Rural Disaffection. Another serious problem of local government demanding solution in the decades that lie ahead is the problem of urban-rural relations. All the underlying forces of modern society combine to demand a closer knitting together of

¹ For elaboration of these points, see *Wartime Problems of State and Local Finance*, symposium conducted by the Tax Institute, Nov. 27-28, 1942, New York; Tax Institute, University of Pennsylvania, Philadelphia, 1943.

urban and rural populations and their governing processes. In fact, many of the most serious tasks facing local government, as witness the whole undertaking of urban redevelopment, require the joint efforts of present urban and rural units. The problems of our great metropolitan centers, though basically urban in character, are complicated by urban-rural disaffection. Unfortunately, there are strong psychological and historical barriers (as well as the practical barrier of the preponderance of rural representation in most state legislatures) to felicitous urban-rural cooperation in handling problems common to a particular area. Fundamentally, the solution to this problem lies in a long educational process looking toward the reconciliation of diverse interests and the inculcation of tolerance for the other side's point of view. Perhaps the rise of basically similar problems in urban and rural areas and the increasing recognition of common problems will hasten the alleviation of the worst effects of this clash.

Citizen Indifference. Finally, a major problem of American local government from a democratic point of view is the marked indifference of the average citizen to local civic affairs. This indifference is less prevalent in rural areas than in urban areas, for the simpler and essentially more intimate community life in the country engenders a steady and widespread citizen interest in the affairs of the school district, the town, and even the county. The indifference of the urban voter, on the other hand, is understandable. There is, first, sheer inertia: the unwillingness of millions of voters to take the time to vote or to study the issues and candidates of municipal elections. Apparently, there is not sufficient drama, except on rare occasions, in the humdrum affairs of city government to stimulate the interest of the urban citizen. Rarely does the average citizen consider himself well informed on urban local affairs, yet the same citizen frequently considers himself an "expert" on national and international affairs.

Moreover, in most cities the citizen is confronted with an enormously complex problem in voting. Not only must he go to the polls frequently to vote for a plethora of local officials but, perhaps even more frequently, he must pass judgment via the initiative and referendum on technical municipal policies about which at best he can know little. This is not to minimize the values to a democracy of direct citizen participation in a wide range of governmental affairs, but it is to say that the range of decisions submitted to the voter in many American cities today is so large

that no citizen, however well informed he may be, is qualified to pass on all of them intelligently. This complexity of voting inevitably adds to the citizen's confusion, gives an added boost to indifference, and results finally in the general public apathy that is at once the chief support of the city "boss" and his political gang, and the negation of genuine democracy.

CURRENT TRENDS IN AMERICAN LOCAL GOVERNMENT

Over the years innumerable solutions to the problems of local government have been suggested, studied, and tried. Some have been successful, many have not. Numerous reforms in local government, once enthusiastically supported, have failed to take root because the reformers, sure and adamant in their theoretical approach to the problems they sought to solve, lacked an understanding of certain basic characteristics of the local government problem as a whole. Five of these characteristics come to mind: (1) Local institutions and functions are meshed deeply with our historical evolution and traditional ways of thinking and acting, so that long-established governmental functions and organizations seem to exist almost by "natural right." No reform can succeed without taking into earnest account the power of vested interests in the local governing process. (2) The problems of local government are immensely complicated both internally and externally. That is, problems within a given local unit are increasingly complex in themselves, and they are aggravated by the growing intricacy of intergovernmental relations. (3) The handling of human institutions requires flexibility above all else. The adaptation of reforms to practical living, human situations and institutions can never be accomplished in strict conformance with predefined blueprints. (4) There are democratic values, by no means yet fully explored, in an energetic local government that conceivably outweigh any theoretical efficiency achieved by reforms that destroy the fundamentally democratic basis of local institutions. (5) It is a curious fact, in the light of the widespread condemnation of local government, that any close probing of local institutions usually reveals a fairly high degree of efficiency in terms of services provided for monies expended. Whereas this last statement does not mitigate the need for many reforms in local government, it does indicate the need for caution and full understanding of local circumstances in urging changes.

Structural Reorganization. Since the turn of the twentieth century much experience has been gained with the political and administrative organization of modern government. This experience makes abundantly clear that the organization of local government should be clarified and simplified. The dispersion of policy and administrative authority among numerous elected officials should be eliminated. Instead, the general government of a local unit should be concentrated politically in a relatively small, elective group of policy-determiners and administratively in a single executive. This approach to local government reorganization involves two major steps: (1) the concentration of all the functions now performed by various agencies under the unit's general government, such as the activities, of independent school boards, park commissions, sanitary boards, and (2) the concentration of full administrative authority in the hands of a chief executive. Though such changes in the administrative organization of local units would not alone assure more efficient and economical administration, they would go far to provide a clearer and simpler relation of the voter to his government, to afford effective placement of political responsibility for the formulation of policies, and to make possible more effective administration of the policies once determined.

The demand for either a strong-mayor or manager type of urban organization is a reflection of the foregoing approach to the problem of structural reorganization. Each involves a clear and fairly complete concentration of administrative authority and responsibility in the hands of a single executive. Although the manager type of urban organization is technically the more modern, the desire for a strong mayor flows from the recognition of the *political* role of urban chief executives. Particularly in the large metropolitan cities, good government demands an energetic and persuasive "political" executive, with technical administration handled by a competent and trained staff. A manager, selected by the council on the basis of known technical, administrative competence, might lack the solid "political" support of the council and the public essential to the formulation and administration of major urban policies. Unquestionably the governing process of a large metropolitan city requires higher "political" integration of policies and administration than does that of a small city.

For the large majority of American cities, however, the manager plan is more suitable. Under this plan the voters elect only a small

city council, which is charged with the responsibility to formulate the major city policies, often in conjunction with the manager, and to hire and fire the manager. The city manager, in turn, is responsible for the entire administration of the city government, subject to the policies and programs of the council. Departmental organization and the selection of department heads are in the hands of the manager. City personnel is recruited, in the main, on the basis of merit. Thus, city administration, highly technical in this modern age, is placed in the hands of personnel selected from top to bottom, insofar as possible, on the basis of competence. Such a reorganization of structure has been established already in hundreds of American cities, and it is unquestionably the emerging type of American municipal organization.

The county is the chief rural unit of government demanding structural reorganization. Whether organized on the supervisor or the commission plan, the county's governing authority is generally dispersed among a number of separately elected or ex officio officials, each drawing his authority from the state constitution and statutes. In most cases there is no official executive, with administration as well as policy determination vested in the county board or commission. Actual administration, especially under the supervisor or large-board type, is in the hands of the numerous committees of the board. Except insofar as unofficial integration of administration results from the clustering of authority around the general finance committee of the board, the board chairman, or the county clerk, there is no clear, over-all executive action to integrate county policies as a whole. Actually, however, even the theoretical integration of county action is difficult because the county, as a quasi-corporate agent of the state, is charged with numerous mandatory functions and expenditures by the state, which permit the county governing authorities slight discretion in large areas of policy determination.

Despite the qualification just cited, there are several possible structural reforms that would increase substantially the efficiency of county government. The creation, officially or unofficially, of a county executive would help to tighten general county administration. Some students of county administration advocate the use of a county manager on the successful city manager pattern. Though such a plan has been tried in a number of American counties, it is not likely to be widely adopted, because the place of the county in the local governing process and its relation to the state are such

that a technical administrator cannot generally be fitted easily into the governing pattern. Greater practical possibilities lie in further concentration of general executive authority, not unlike that of the county judge in many Southern counties, in two present county officials: the board chairman and/or the county clerk. By placing the board chairman, elected by the county board, on a fixed-salary, full-time basis, many counties would have available a "political" executive on a sort of parliamentary basis. The peculiar relationship between the board and its committees and the total government process in the county urges this solution of the county executive problem. In many counties, notably in Wisconsin, the county clerk is the accounting and financial center of the county government, secretary of the county board, and, frequently, ex officio secretary to most of the committees of the board. This combination of functions places the clerk at the center of the county governing process more completely than any other official. A strengthening of his financial powers, particularly with respect to the budget process, and the institutionalization of his relation to the committees of the board would go far to provide a central quasi executive for the county without any sharp break in the traditional practices of county government.

Several other changes would strengthen the county structure. In the case of the supervisor type of county government, which generally involves a large and cumbersome county board, a reduction in the size of the board is essential. A board of 12 to 20 members would be small enough for expeditious and efficient action yet large enough to represent fairly the interests of both the geographical and functional groups in the county. The difficulty in reducing the size of large boards under the supervisor type of county government lies in the fact that rural membership on the board is automatic for all town chairmen in the county. Whereas at one time this device was of considerable value in promoting an organic integration of the county and town governing process, it is at least open to question whether under modern conditions it has sufficient democratic validity to be maintained in lieu of essential improvements in the county structure. Obviously, however, any change in the size of the county board, which would necessarily involve a change in the method of representation on the board, would have to overcome the obstacle of this county-town relationship.

With respect to county officials two suggestions are in order. First, the duties of county clerks, sheriffs, attorneys, coroners, etc.,

are now so technical that these offices might best be appointive. Though county officials argue that the efficiency of local government is increased because of their direct responsibility to the voters at frequent elections, the point is debatable. The appointment of these officials, in most cases by the county board or executive but in some cases by functionally corresponding state officials, would undoubtedly afford the county more balanced competence in public office and thus tend to increase the efficiency of county government. Second, if county officials are to remain elective, the lengthening of their terms would be desirable. Present terms are generally two years, so short a term that "politicking" to remain in office is necessary most of the time. A term of four years would enable the official, particularly a new one, to settle down to learn his job and to permit some period of real service before the next election rolled around. Though there is apparently some disposition by county voters to continue county officials in office for several terms, the lengthening of the term would unquestionably make for greater continuity and efficiency in most county offices.

In any structural rearrangement, for either urban or rural units, it is important to provide a fairly simple organization in which the policy organs are charged with clear political responsibility to the voters. The administration of local policies should then be placed in the hands of competent administrators by such devices as will secure and retain that competence. The suggestions made above outline briefly the possibilities of such structural changes. In order to attain greater citizen participation in the governing process it might be well to explore the use of advisory committees on the local level. These committees, consisting of lay experts in various fields, have been used to good effect by many state governments and the national government. Local units have also made use of them occasionally, but the full potentialities of this device have not yet been touched on the local level.

Area Reorganization. Area adjustments are as important as structural reorganization in the attack on the current problems of local government, because many local units fail completely to meet the requirements, detailed above, of a satisfactory unit of government.

The most numerous and ubiquitous local unit is the school district. In large sections of the country the school district is unable to provide even a low standard of educational opportunity to the children of its area; yet, in terms of educational cost per child

such units are the costliest in the nation. One of the attacks upon this problem has been the effort to promote the consolidation of school districts, more feasible now than earlier because of improvements in automobile transportation. Such consolidation would provide a larger area, more children for the consolidated school, and greater financial resources upon which to draw for adequate instructional and physical facilities. Despite the inertia and, at times, positive opposition of local populations, the consolidation of rural school districts has made rapid progress, now hastened by the impact of war on the supply of teachers. Nonetheless, this problem still affords wide opportunity for action in the field of rural local government.

The place of the rural town, or township, in the total pattern of rural local government is also increasingly under attack. As far as area reorganization is concerned there are two approaches to this problem. Where economic change, such as in the cut-over forest areas of New England and the Middle West, has caused the dwindling of population to the point where the costs of government services reach phenomenal heights per capita, governmental disorganization offers a practical adjustment. The town unit is abandoned and such services as are absolutely essential are turned over to the county or even the state.¹ Short of actual disorganization, effective rural planning and zoning along the lines of the Wisconsin pattern will help to alleviate the pressure on rural services and finance.² A more significant possibility of area adjustment lies, however, in the consolidation of towns or townships, and in some cases counties. Such consolidation would create a larger and more adequate area, population, and financial base for the new unit, while cutting down the over-all costs of operation. Local pressures frequently make such consolidation difficult, but this approach to the problem of creating more stable rural units has by no means been exhausted.

The need for area adjustment of cities and their surrounding territory is as great as that of rural areas. Where a whole county is more or less urbanized, city-county consolidation is desirable. The problem here is not so much to create a unit with sufficient population and fiscal adequacy as it is to create a unit competent

¹ On this point, see William S. Carpenter, *Problems in Service Levels*, Princeton, N.J., 1940.

² See WEHRWEIN, GEORGE S.: The Administration of Rural Zoning, *The Journal of Land and Public Utility Economics*, August, 1943, pp. 264-291.

to handle the problems of the urban area as a whole. City-county consolidation would provide, in many instances, an area base sufficiently large and "natural" for the administration of the over-all problems of the parent city and its satellites. However, the modern metropolis often invades several counties or even states, in which case no mere consolidation of units can be satisfactory. Thus far the most significant approach to such situations has been in terms of functional area adjustments as, for instance, in the creation of metropolitan sewage districts. This process permits the adjustment of governing area to the physical administrative needs of a particular function. Unfortunately, the proliferation of numerous special metropolitan districts may complicate the metropolitan governing pattern in the long run, for each such addition adds still another unit to the already complex configuration of units in the area as a whole. Out of this need for general area adjustment has emerged the concept of "regionalism."¹ Some progress toward regional adjustment to the modern problems of government has already been made via interstate compacts and, notably, the Tennessee Valley Authority.

Cooperation between Local Governments. Paralleling the practice of creating special districts is the growth of cooperation between local units of government on a functional basis. The basis of such cooperation, as in the use of joint city-county office buildings and joint county hospitals or normal schools, lies in the effort to attain (1) greater economy of operation on a wider area base, (2) more efficient administration and better service facilities, and (3) the opportunity to perform functions on a joint basis not possible to the individual units. In addition, there are numerous instances of contract relations between adjacent cities and towns, or cities and counties, for the performance of various urban functions as, for instance, fire protection to rural areas. Although this latter is not strictly a joint effort, it suggests further the possibilities of cooperative relations between units of government on the local level.

Reallocation of Functions between Levels of Government. One of the most searching approaches to the adjustment of local government to modern society centers around the reallocation of functions between the small rural units and the county, and the county and

¹ See, especially, Lewis Mumford's brilliant *The Culture of Cities*, New York, 1938; and the National Resources Committee, *Regional Factors in National Planning and Development*, Washington, 1935.

the state.¹ The reallocation of functions concerns primarily the rural units of government, though in some cases it might affect urban units as well. This approach begins with a careful study of all aspects of each function of local government, directed toward determining at what level of government each function can be performed most economically, efficiently, and with maximum benefit to the bulk of the local population. Supporters of functional reallocation point out that the average rural town is clearly no longer capable of administering or supporting financially the services demanded by its population. They argue, further, that modern transportation and communication make possible the use of larger units of government and administrative districts without serious inconvenience to the public. Moreover, the very nature of modern government involves large-scale administration. Therefore, the initial reallocation of functions should involve the abolition of all rural town governments, especially in the Middle West, and the shifting of all town functions to the county, which will then become the principal unit of rural local government generally, as it is already in much of the South and West. This is a drastic proposal, but modern tendencies of government go far to support its validity.

The county, itself, is by no means capable of performing satisfactorily all the functions hitherto assigned to it. This is amply attested by the constantly increasing aids poured down to the counties from the treasury of every state in the Union. Moreover, certain functions require much larger areas for adequate administrative efficiency, including fiscal economy. The proposal has therefore been made that such functions as road administration, rural policing, and perhaps education, be transferred from the counties to the state. Though the states are already active in establishing policies and providing funds for these functions, direct state administration would permit the states to disregard present county lines and to create such administrative organization and administrative areas as would ensure maximum functional efficiency.

The chief advantages cited for functional reallocation are two: (1) Each function of local government would be allocated to that level where area, population, and taxable wealth combine most satisfactorily for efficient administration, the presumption being

¹ One of the most complete and stimulating discussions of the reallocation of functions approach to the problems of local government is A. C. Millspaugh's *Local Democracy and Crime Control*, The Brookings Institution, Washington, 1936.

that the population of the state as a whole would thus receive better services at lower costs. (2) The consummation of such reallocation would leave the local level, chiefly the county, with such functions as it could finance and administer competently. This would tend to place the local units again on an independent base and remove the lines of control that now bind them tightly to the state. Thus a start could be made in revitalizing local government, for fiscal independence would afford greater opportunity to local initiative and provide a genuine challenge to local democracy.

The major arguments against this type of reallocation of functions are likewise two: (1) It would destroy local government completely, for the vital tasks of government would move necessarily to the higher levels and the remaining tasks would be too minor and undramatic to capture the imagination and hold the interest of the local public. (2) It would increase centralization of government on ever higher levels, with all the evils of "bureaucratic control" attendant thereto. Government by "remote control" cannot yield genuine efficiency in terms of human needs on the local level.

Although it is not possible to reach a definite conclusion as to the balance of argument for and against the reallocation of functions, the practical fact is clear that state and national responsibility for hitherto local functions is increasing constantly. This tendency varies, of course, from state to state, for conditions and traditions of local government vary immensely. North Carolina and West Virginia have found it not only practicable but politically possible to assume full responsibility for all highways in the state, whereas such a step may be impossible elsewhere. Moreover, serious breakdowns in the handling of local functions are necessarily spotty even within a single state, so that what might be desirable state action for some of the towns or counties might be neither necessary nor desirable for others. Extensive experimentation with the whole process of functional reallocation is vitally needed; and, since no revolutionary readjustment of functions between the various levels of government within a state is possible in most cases, the solution of the problem urging reallocation has moved in the direction of Federal-state-local cooperation.

Federal-state-local Cooperation. The legal relation between the states and local government forces an important responsibility for local affairs upon the states. This responsibility is manifest in numerous types of state-local relations: state constitutional and

legislative grants of power to the various local units; state supervision, both legislative and administrative, of most local activities; state financial support of both general local government and particular local functions via shared taxes and grants-in-aid; and state technical administrative assistance to local units on the basis of specific functions. The elaboration of these relations between the states and their local governments has created an increasingly cooperative administration of basic functions required by the public. Largely for financial reasons, state and local administrations have thus become closely intertwined, and to survey local government problems apart from those of the state is to miss better than half the story.

Though state-local relations have a long history in the United States, the proliferation of national-local relations is of relatively recent origin. Without impinging directly on local government the national government has long provided a number of services to local units.¹ With the impact of the depression and consequent pressure on local finance and services, the national government began to establish more widespread relations with both the state and local governments. Relief programs were underwritten by the national government via the Civil Works Administration (CWA), the Works Progress Administration (WPA), and numerous lesser programs. Work programs, supported and administered jointly by the national, state, and local governments in varying relations, were put into action through the Public Works Administration (PWA), the Federal Housing Administration (FHA), highway grants, etc. The great agricultural programs demanded extensive intergovernmental cooperation down to the ubiquitous Federal-state-local "county agent," and the creation of the Social Security program in the middle of the thirties led to further relations between the three major levels of government.

The development of national policies, intended to create minimum economic and welfare standards the country over, has serious implications for local government. In the main, these programs are administered and financed jointly by the nation, states, and local units under standards of administration and performance established at the top, and with financial support for local units and the states dependent upon compliance with directives from above.

¹ See BETTERS, PAUL V.: *Federal Services to Municipal Governments*, Municipal Administration Service, New York, 1931.

Functional relations among all levels of government are growing so intimate that there appears to be emerging in our governing process as a whole what has been called a "cooperative federalism."¹ This new "federalism," transcending the orthodox horizontal compartmentalization of functions in specific levels of government, is based upon a vertical cooperation between the various levels of government in the administration of particular functions. Though not without considerable strain, the American governing process is tending to become of one piece, or, as suggested by William Anderson, "What was once local *government*, with the power to make many local decisions, tends to become mere local *administration* of services and rules devised at the center."²

This centripetal cooperative tendency has been accelerated by the impact of the Second World War on the American governing process. The successful administration of large segments of the national war program has depended upon the cooperation of local administrators and local governing facilities. Examples are legion: the civilian defense program, though nationally organized and directed, is locally administered, chiefly on a county basis; Selective Service is locally administered on the basis of national directives; many of the rationing programs were placed in initial operation by local authorities, and some continued under local administration; and the success of the Treasury Department's huge bond drives has depended in large part on local action. Moreover, in the key defense areas emergency problems of health, welfare, and housing required the closest cooperation of the national, state, and local governments. Probably never in our history as a nation was the grass-roots administration of local governments so vital to the governmental efforts of the nation as a whole. Wartime rationing of gasoline, coffee, sugar, and other commodities might, for instance, have been impossible without the nationwide cooperation and effort of the school teachers of the land and the use of the often maligned school districts as the local administrative base. All these programs have fostered increasing cooperation among all levels of government. The local unit apparently has not been obliterated, or even overawed, by this process, for there is considerable evidence to indicate

¹ For a brief analysis of the "cooperative federalism" concept see Robert E. Cushman, *What's Happening to Our Constitution? Public Affairs Pamphlets*, New York, 1942.

² ANDERSON, WILLIAM, ed.: *Local Government in Europe*, p. xvii, New York, 1939.

that local initiative has had a rebirth under the stimulus of the practical and emotive pressure of war.¹

Legal, administrative, and financial relationships among our three levels of government are in a state of great flux. Intergovernmental cooperation presents many complex problems which remain to be explored in both theory and practice. But as more and more hitherto local functions, and emerging new functions as well, prove to be beyond the financial or administrative competence of our traditional local units, new techniques of administration are inevitable. Complex services are essential to the very life of modern society, and in the long run they will be provided by that unit, or combination of units, best able to provide them.² It is in this context that the rise of a "cooperative federalism" is important to local government. For it suggests that the natural trend of underlying governmental forces is not so much to eliminate local government as it is to make full use of the local administrative structure within the framework of national policies and finance. By underpinning the financial structure of the states and local units and by providing the broad minimum standards of policies for the country as a whole, the national government may still afford a wide opportunity for local initiative and experimentation, essential to the revival and maintenance of those attributes of liberty and freedom attached to local community life and institutions. By providing nationwide economic and social stability, the national government can make possible the release of enormous energies for the creation of a richer, more meaningful, and humane community life.

LOCAL GOVERNMENT AND MODERN DEMOCRACY

The place of local government in the total American governing scheme is in a period of major adjustment. Modern government demands governing areas larger than our orthodox local units to attain maximum administrative efficiency and to provide a tax base commensurate with the demands of large-scale governmental

¹ For a more extended analysis of the impact of war on local governments, see A. W. Bromage, *Federal-state-local Relations*, *The American Political Science Review*, February, 1943, pp. 35-48.

² Witness the intergovernmental approach to the complex problem of urban redevelopment. This broad topic lies beyond the scope of the present discussion. For good summaries see *A Handbook on Urban Redevelopment for Cities in the United States*, Federal Housing Administration, Washington, D.C., 1941; and *The Problem of the Cities and Towns*, Report of the Conference on Urbanism, Harvard University, Cambridge, March, 1942.

activity. Concurrent with the growing complexity and scale of modern government, there is a rising need for more effective devices for keeping modern administration democratically responsible to popular control. Theoretically, local units of government are so organized as to provide a constant popular check on the governing process and local officials. In the case of many units of local government, however, especially the larger cities and urban counties, this is far more nearly true in theory than in practice. Mere insistence on the retention of our traditional patterns of local government is not sufficient to maintain effective "local democracy" under modern conditions. The problem of popular control requires study and reassessment on all levels of government in terms of modern democratic needs.

An increase in the efficiency of local government generally would help to fortify its place in the American governing process. Increased efficiency can be achieved, at least in part, through a simplification of local administrative organization with a clarification of the legislative and administrative functions. Such simplification would ease the voting burden of the average citizen, make easier the formulation of over-all policies, and provide the means of administering those policies efficiently and economically. The consolidation of local units offers likewise the possibility of increasing both efficiency and economy in the government of a particular local area.

Administrative reorganization and consolidation will not alone adapt local government to the conditions of modern governing needs and will not, therefore, reduce substantially the pressure for more drastic readjustments. This pressure tends to force such solutions as the reallocation of functions between local governments themselves and between local units in general and the state. This is the natural response to the demand for larger functional areas. But the reallocation of functions necessarily deals with the question of how best to administer particular services, not with the over-all problem of government. It therefore may actually hinder the effectuation of changes in the over-all governing process of the local units and the state by creating a fairly satisfactory solution to particular problems without touching the larger problems of over-all administration. To meet this latter problem entirely new local government areas are required. The proposals for metropolitan units and the even broader Tennessee Valley Authority experiment are indicative of this trend toward finding a unit sufficiently large

to deal with the problems of an entire area in an integrated and coordinated manner. The potentialities of this approach to the problem of adapting local government to modern life have hardly been touched, despite much research, some experimentation, and long and hard debate.

There is, finally, the emerging trend toward intergovernmental cooperation along functional lines in tackling the growing problems of modern society. One can readily discern fairly clear vertical cooperation in handling specific services between all levels of government from the national down to the smallest local unit. In this connection whole functions are lifted out from their former place in the horizontal governing arrangements and administered cooperatively on the basis, in large part, of minimum national policies and substantial national finance. This process has gone so far that the national government is able, in the case of the Social Security Act, to set the personnel standards of both state and county welfare agencies as a prerequisite to the local receipt of Federal funds. What final form this functional, hierachial emergent in the American governing process will take cannot be foretold; but it is certain to have important implications and effects upon the traditional role of American local government.

Unquestionably there are dangers to the democratic process in the centralizing trend outlined above. Nonetheless, serious thought about modern government in general, and local government in particular, must not atrophy with the mere verbalization of emotive phrases apropos states' rights and "local democracy." If local institutions cannot fulfill the present needs of local residents, they will inevitably yield to institutions that can. Moreover, the centralizing trend, properly handled, may have real value to local publics. In the first place, it will likely result in more, improved, and cheaper services than the local units could themselves supply. Second, it might permit the local units to retain such services as they could supply efficiently and finance independently, thus revitalizing the allround effectiveness of the local units. Finally, the fact that higher levels of government assume increasing responsibility for basic governmental policies and finance does not necessarily mean that actual administration is entirely by "remote control" far distant from the local publics. If the centralization is on a cooperative base, much of the live administration will be on the local level as heretofore, bolstered financially and aided administratively by the upper levels of government. If, on the

other hand, the centralization involves allocation of full responsibility for given functions to the higher levels, administrative decentralization by those levels would perhaps bring government and public into equally direct contact.¹ It is quite possible that in the long run popular control might be as effective, for instance, over the local office of a national social security board as over a city or county welfare agency.

The future of local government in American democracy hinges, in final analysis, upon the growth of a healthy interest and participation by the citizens in the governing process. Citizen understanding of broad local problems and their relations to state and national problems is essential to action; and, for that reason, the political education of Americans everywhere presents one of the great challenges of our times. Present indications are that such interest is likely to increase rather than decrease under the stimulus of the evolutionary changes now taking place among all levels of government. On the rural side it is not likely that drastic institutional rearrangements will occur in the predictable future; thus much of American "local democracy" will, for better or worse, remain intact. On the urban side it is difficult to avoid the conclusion that fundamental changes are likely to come soon. Rather than be feared, such changes ought earnestly to be sought, for modern society will either adapt its governing processes to a basically urban order or perish.

¹ See, for instance, Kurt Wilk, *Decentralizing Government Work*, Institute of Public Administration, New York, 1942.

CHAPTER X

POSTWAR EDUCATION

MATTHEW H. WILLING

Education in this discussion will have reference to what the schools do, especially those elementary, secondary, and higher schools which the public supports and controls. How will education so defined be affected by the outcomes of the war and by the circumstances of postwar life in the United States? Probabilities, desirabilities, and possibilities may get rather badly mixed up in what is said, but the obligation will be recognized of being as impersonal, logical, and realistic as may be.

Three questions will be posed, as follows: (1) What were the important movements in American education before the war? (2) What is the war doing to American education? (3) What will postwar conditions mean for prewar and wartime trends in education, and what in addition to or in place of these trends will then be demanded, suggested, or permitted?

PREWAR TRENDS IN AMERICAN EDUCATION

Three very old trends in American education which have continued up to the present time should be mentioned first. Their nature may be indicated by calling them universalization, extension downward and upward, and equalization. As movements, they have not been independent of each other by any means, but there is no need here to go into that.

Universalization. Long before the outbreak of this war elementary education had been made available to and required of practically all children in the United States from six to fourteen years of age. Secondary schools too were generally accessible to youth up to eighteen years of age, but attendance was not universally required. About three-fourths of the boys and girls of the age range fourteen to seventeen, inclusive, were in school in 1940. By far the most spectacular growth in school facilities and enrollments during this century has been at the secondary level. Our higher schools, those

requiring high-school graduation for admission, are still regarded as selective institutions. Although it has become good American policy to make such schools easily accessible to all, that is far from being the case as yet. Even with a much greater proportion of our young people going to college in this country than is the case elsewhere, there has been little alarm here over what the Europeans refer to as an educated proletariat.

Extension. Preschool education and adult education are the twentieth-century focuses of the American movement to extend education downward and upward. Kindergartens had become fairly common in cities and large towns before the depression but suffered considerable losses during the thirties. The Works Progress Administration (WPA), however, during this period instituted a great many nursery schools in industrial centers, and similar establishments are now being provided at Federal expense in defense areas. Many states have recently passed legislation permitting the use of public funds for kindergarten and prekindergarten schools. At the other end of the common-school range, a positive effort to make 2 years of education beyond high school more generally available is seen in the creation of junior colleges. Good reason and support for this movement in urban centers have been found in the progressive deferment of gainful occupation which is resulting from recent phases of the industrial revolution and from economic depression.

Perhaps of more ultimate significance than the extension of the common school itself, however, have been the very great increase in and diversification of what is called "adult education" during the last quarter of a century. National, state, and local agencies, both private and public, have engaged in this promotion. Rehabilitation, evening classes in technological and academic fields, extension and correspondence courses, public forums, radio lectures, institutes, and short courses are some of the many ways in which adults are being encouraged and enabled to keep on learning. Vocational schools are rapidly becoming institutions for the training and education of adults. But the enterprise of adult education is certainly not a systematic or clearly directed affair as yet. It has far to go before it really meets the intellectual and training needs of adult noncollege people.

Equalization. Whatever immediate social needs and pressures have from time to time been cited in arguments for more and better public schools, the underlying motive has usually been the

democratic one of equalizing educational opportunity. A century of promotion has gone into this task of making education available to everybody on even terms, and there is no satisfactory end of it yet in sight. Every advance in the equalization of educational opportunity seems bound to reveal new inequalities to resolve. Opposition to the whole trend has always been present and frequently vigorous, but whether economic, political, sectarian, sectional, or scholastic it has never done more than retard progress. In the period immediately before the war the critical issues in this area had to do with Federal support and control. The Federal government has contributed tremendously to the support of education from the very beginning. During the thirties of this century its subsidies and loans to schools and educational enterprises reached fabulous figures. But at no time has the Federal government formulated a clear policy or sought to determine precisely what its proper function should be with regard to educational support and supervision. And at no time has it committed itself to a program of equalization of educational opportunity throughout the states. Until it does so, the glaring and distressing inadequacies of educational provision in poor states will persist.

The Social Criterion. The three trends just described have had to do mainly with the provision, extension, and equalizing of educational facilities. A fourth trend, conspicuous in this century, has to do with determining what shall be taught in the schools. We may call it the trend toward a more socially relevant curriculum. In part it has been an emphasis upon teaching what is explicitly or directly useful as distinguished from the indirectly useful exercises of mental discipline. The original impetus came from two sources: a new and more scientific psychology of learning and a popular demand for education that was practical. It has meant not only checking the old subjects against the specific activities of daily life, but also introducing a vast deal of new subject matter. It has meant widening the scope of the curriculum to cover all the major areas of social living such as health, vocation, citizenship, homemaking, recreation, and esthetic experience. It has laid a good deal of stress on the contemporary, the immediate demands of our society, the current aspects of our cultural, political, and economic lives. Social efficiency became the foremost goal of curriculum revision during the twenties and thirties of this century. Its first authoritative statement and advocacy was issued in 1918 by the National Education Association's Commission on the Reorganiza-

tion of Secondary Education under the title, "The Cardinal Principles of Secondary Education." Twenty years later an even more authoritative statement of essentially the same philosophy was issued by the Educational Policies Commission under the title of "The Purposes of Education in American Democracy." To direct the schools toward an education that was explicitly, comprehensively, and currently functional continued to be the main, though somewhat frustrated, enthusiasm of our common-school leaders right up to the opening of the war. It may be added that the colleges have also been greatly affected by the same educational theory.

There has been much opposition to social functionalism, or at least to the type promoted in recent decades. In two instances this opposition may be credited with starting divergent although minor trends. Certain people devoted to the study and teaching of the traditional liberal arts have opposed it as superficial, materialistic, and intellectually soft. The progressives have attacked it as being purely normative, uncreative, and disintegrative. The former have tried to restore ideals of scholarship to the schools, and the latter have tried to introduce creative activities and problem situations. In many high schools and higher schools one may readily identify all three trends in operation and be inclined to label the result as confusion.

Democracy. In fact confusion has been a rather striking characteristic of our educational thought and practice in the United States for some time. Perhaps there is hope for a lessening of this confusion in the growing insistence of recent years that education be made democratic. We have been turning from efforts to make education democratically available to making it democratically functional. We have not been indifferent to the ways in which totalitarian states have utilized the services of the school to spread their ideologies and guarantee their regimes. By the time war came upon us we were loudly declaring in this country that we needed an education which would do for democracy what German education had done for National Socialism. We have deplored the Nazi methods, of course, but we have been much impressed by the results. The attempt to formulate and to create a genuinely democratic education must also be counted among prewar trends.

Individualization. As a corollary perhaps of both the social efficiency and the democratization movements there has been for several decades a strong trend toward individualization in our

treatment and instruction of school pupils. Individual differences must be taken account of if any kind of efficiency is to be achieved, and treating individuals as such is likewise a basic requirement in a democratic education. This movement is reflected in pupil testing, diagnosis, guidance, and special help. It shows up in curricular enrichments and increasing electives. It appears in new modes of marking, in ability grouping, in differentiated requirements. It is plainly revealed in the efforts of teachers to motivate pupils in a great variety of ways. Since individualization of almost any sort means increased school costs, the trend has not been unopposed. Once pupils and their parents are convinced, however, that individualized procedures work to their advantage, the matter of cost seems to be surmountable. The depression worked both ways with respect to this trend. On the one hand it discouraged financial outlays in the schools for individualized services, but on the other hand a host of investigations of the plight of youth in those days revealed more vividly than ever how badly our children and youth stand in need of individual study, guidance, and help.

Efficiency. Becoming obvious shortly after 1900 and developing rapidly and variously from 1910 on has been the demand within and without the profession for scientific school management. Technical efficiency in school administration has become as much a goal for educators and school-minded citizens as socialization, democratization, individualization, and the perennial purposes of universalizing, extending, and equalizing education. It has expressed itself in a broad attack on educational wastes of every sort, financial, organizational, instructional, and in the use of facilities. The matters in this general category that were arousing most controversy at the opening of the war were the responsibilities of states as against local communities for the support of schools; the consolidation of rural schools; the coordination of youth services; the establishment of a standard, ladderlike system of schools without overlappings, serious gaps, and conflicting purposes; uniformity in teacher certification; teacher tenure and provision for retirement; teacher selection and preparation; curriculum integration; and the determination of what is involved in democratic administration. The ideal of administrative efficiency was by no means fully satisfied by 1940.

The major dynamics of American education before the war have now been indicated. The inquiry proceeds from here to the wartime period, its immediate effects upon our schools, and its relation to prewar trends.

THE WAR AND THE SCHOOLS

What is this war doing to American education? Our eighteenth- and nineteenth-century wars interrupted, curtailed, or stopped education. They depleted the teaching force, deflected financial support, turned school buildings into barracks and hospitals, withdrew boys of high-school age and above. In all they did to education, however, they never involved it in the prosecution of the war itself. Schools were not put to the task of winning the war. They were supposed to keep on with their own business if they could. One may read through the educational journals of Northern states during the years of the Civil War and scarcely be aware that the great fight was on. In fact, the school systems of some of these states prospered greatly throughout the war without any orientation toward the conflict as such.

The First World War affected the schools in new ways. The traditional interruptions and curtailments were to some extent repeated; but, more significantly, the government solicited the help of the schools in cultivating war morale, putting over war loans, and directing studies toward military needs. For the first time in our history schools were expected to help win the war regardless of pedagogical preoccupations, purposes, or values. It was the first clear recognition of the obligations of the public's schools when that public faces a crisis.

The present war is involving the schools much more deeply and broadly than did the First World War. This time the curriculum has become a particular focus of attention. Seemingly scores of governmental and military departments, bureaus, and agencies, supplemented by scores of semipublic organizations, commissions, and committees are issuing proposals, plans, course outlines, and instructional materials for the schools to use. The very multiplicity of official, semiofficial, and pseudo-official exhortations, suggestions, and demands has made for considerable professional bewilderment. Gradually the state departments of education are taking charge of the situation and making themselves responsible for directing the war effort of the schools. The colleges and universities, though relying somewhat on joint deliberation and agreement, are for the most part making what arrangements they can with the government and the military authorities, not only to aid in the war but also to keep themselves in operation.

War and the Curriculum. Even in the absence of anything like full, reliable, and official data as to just what is happening in our schools, both higher and lower, the available reports justify certain generalizations. Health and physical fitness are being assigned much more time and prestige in the curriculum. In this connection the spectacular rise of a science of nutrition seems opportune. Mathematics and physics, as basic to technological war, are being urged for all secondary-school students. History and geography relevant to the war are being emphasized. The same is probably true of whatever in the social studies is thought to throw light on the nature and processes of American democracy. Spanish as needed for hemispheric collaboration is enjoying greatly increased patronage, partly of course at the expense of French and German. At the college level, a good many institutions are offering new courses in the Slavic and Oriental languages. The colleges are also offering many forms of specialized instruction for the army, navy, and air branches of the service. The facilities for technical training of all kinds have been tremendously augmented and continue to be strained to the utmost.

Certain other facts concerning the present relation between education and the war must have significance, though just what it is hard to say. The fact that higher schools have, by and large, adopted accelerated programs, the fact that thousands of college and secondary teachers are in the service acting as instructors or personnel workers rather than as combatants, the fact that elaborate and constantly increasing provision is being made for the general education of men in service, and the broad fact that teachers as such are proving to be of conspicuous importance in this war—all these must add up to something or other for education.

The War and Prewar Trends in Education. The war is producing considerable educational change but it is not supporting all prewar trends by any means. The Federal educational enterprises developed as parts of the New Deal in the depression, especially those under the WPA, the Civilian Conservation Corps (CCC), and the National Youth Administration (NYA), have been greatly reduced or entirely abandoned. Some millions of youth are suffering grave interruptions to their schooling. Much in the way of worth-while curriculum reorganization in our secondary schools and colleges is at least temporarily called off. The financing of our schools is not reaching a more satisfactory state. There is no general improvement in facilities, in conditions of instruction, in pupil

guidance, or in standards going on. The emergency licensing and employment of thousands of inadequately prepared teachers is a war phenomenon that is handicapping schools now and will continue to affect them adversely for many years after the war. Outside of some increase in the remuneration of teachers in the lower salary brackets there is little to point to as clear improvement in professional status.

The question to which this account of the war's effect on education has been leading is this: Of what lasting significance are current modifications of the schools? Is the teaching profession or is the school public learning anything new and valuable about education which will carry over to times of peace? There are those who think so, some perhaps hoping so, and some perhaps fearing so. On the one hand, it is pointed out that relating subject matter to such a current social preoccupation as the war vitalizes that subject matter and ensures proper motivation of the learners. It is argued that under the stress of these times teachers may again demand and obtain hard work from students. Standards of scholarship may again be raised and thorough mastery be once more respected. It is further believed by some that the war is forcing schools to cultivate global knowledge, understanding, and appreciation. Specialists in the various academic disciplines profess to see promotional values for their various subjects in the present needs.

On the other hand, it is pointed out that acceleration, war orientation, political and military propaganda, and the withdrawal of personnel and money are all inimical to sound education. Admitting the necessity for these things is not to be construed as approving them. War can do little for education in a democracy that will prove valuable for peace. The disruption of the systematic processes that the schools have laboriously developed, the substitution of military for cultural values, the shift from the cultivation of appreciative and reasoning processes to the cultivation of physical toughness, of memorization of data, rules, and principles, and the acquisition of technical skills are to be patriotically and pragmatically accepted but are not to be thought of as ushering in a golden age of education.

What this war is most significantly reinforcing in our thought about American education is something that has been developing for a long time, namely, the necessity for current social responsiveness in our public schools. What our citizens and what our institutions need at any particular time must apparently be taken as cues

for educational orientation and purpose at that time. The war merely shows this again as it has been notably shown before in this century in educational adjustments to phases of our industrial revolution, to the First World War, to the booming twenties, and, above all, to the great depression of the thirties. That education should serve the present age in such ways as its nature may permit has from ancient times been acceptable educational doctrine, but that it should take its very form and character from the current social need and circumstance is something relatively new and different in educational theory and practice. It makes our schools less the purveyors of standard goods which may be applied by the intelligent to all sorts of life situations, and makes them more the flexible and adaptable instruments by which society may satisfy its changing wants and solve its changing problems. Our democracy appears to expect specific and immediately useful services from its schools and grows increasingly indifferent to educational programs that require clever dialectic to show their social reference. What does all this suggest about education following the war?

POSTWAR AMERICA AND EDUCATION

If an increasingly sensitive and direct social functionalism has characterized American education thus far in the twentieth century in war and peace, in prosperity and depression, we have considerable reason for believing that it will continue to do so after this war is over. Therefore, any attempt to say what postwar education will be like should start with a statement of what postwar American society will be like, of what our postwar economics, politics, and social ideologies will be like. Here the educationist has no call to independent prediction. His account of our postwar world must be a compilation and coordination of what the specialists in the major areas of social life and interaction cautiously suggest.

The Peace Settlement. The educationist, however, must be selective. He must rely on advices about postwar conditions that are based on what seem to him sound assumptions concerning the positive outcomes of the war. The assumptions in the present instance regarded as sound are as follows: The United Nations will win decisively and be able to dictate any terms they can agree on among themselves. The settlement will provide for some sort of world organization to which all nations in time will be expected to subscribe and to which will be assigned power for the main-

tenance of peace and the promotion of international welfare. The defeated nations will remain under supervision until they can again be trusted. The Atlantic Charter, the Four Freedoms, and democratic ideology in general will be recognized as ascendent in political theory the world over.

Assuming such features of the peace settlement, what may we identify as educationally affective conditions and problems obtaining thereafter in this country? Immediately following the cessation of hostilities, of course, there will be a difficult period of transition from a war to a peace basis. Problems of demobilization, of industrial conversion, of reemployment and rehabilitation will be urgent and will undoubtedly affect the schools in important ways. Vastly increased enrollments in secondary schools and in colleges and universities, for instance, are to be expected. Replacements of and additions to plant and equipment will be urgent. Changing from war-oriented activities to normal peacetime functions will cause some pain and confusion. All these things and others in the same connection will be of no small moment for a few years, but they are not clews as to the distinctive tasks that postwar society will suggest for education. One must try to get a picture of postwar America irrespective of the phenomena of the transition period. What will be the educationally relevant high lights of this picture?

Dread of War. Probably the thing upon which Americans will be most vehemently and universally agreed when peace is achieved is hatred of war. Our military record by that time may be distinguished, our war power be grown invincible, our youth and our young men all be trained to arms and become veterans; but still we shall intensely hate war and be resolved that it shall not come again. In and of itself hatred of war will not mark any important change in American temper and thought. We have always professed to hate war, and since the First World War no one could well doubt the sincerity of our professions. The most important difference between our prewar and our postwar hatred of war will be intellectual. We should be convinced by this time that war cannot be avoided by the cultivation of peaceful sentiments among ourselves, by propaganda for peace, by signing idealistic documents with other equally naïve or not so naïve nations, or by withdrawing from world affairs to contemplate and practice our own internal virtues and vices. We should pretty generally agree after this war that the future is to be kept peaceful only by realistic efforts to

remove the real causes of war, by constant watchfulness of the trend of events in all national societies, and by the continued cultivation of peaceful and beneficial communication among nations and peoples of the globe. Statesmanship and public leadership in all the major divisions of our social life will for a long time be checked against the dominant criterion of peace.

Internationalism. Inevitably coupled with a passionate and more intelligent hatred of war after peace comes will be a nearly unanimous acknowledgement of international responsibility and obligation. The commitments that we are bound to make in the peace settlements in regard to supervision of the defeated nations, the establishment and development of machinery for international order and control, and the rehabilitation of exhausted and depleted states would force a world outlook upon us even if it were not already implicit in our own more intelligent hatred of war. Our soldiery returning from every part of the world, from contacts with a multitude of other cultures, should still further dislodge us from our old complacent provincialism.

Just what our generally accepted internationalism should amount to in terms of concrete performances, *i.e.*, economic and political adjustments, will no doubt be the subject of long-continued, heated, and not always sincere debate and declamation. General acceptance of the certain limitations to be placed on our sovereignty by an effective scheme of international control will not come easily even when the primary objective of war repudiation is so universally approved and clearly involved. Our politics from now on are not going to be so exclusively domestic as we have fancied them to be in the past. Neither may we expect to maintain any great separation between our domestic and our foreign affairs. Postwar experience will teach us, if we still need to be taught, that most of what we do in the United States is of concern to the rest of the world and that what goes on elsewhere must constantly be checked against our own interests.

Preponderance of Economic Problems. Our postwar problems, whether regarded as national or international or as both, will in the main be economic. Furthermore, they will be so obviously and persistently economic that we shall not be able to think them otherwise and propose purely psychological, religious, or political solutions. The decade preceding the war was one well calculated to direct and keep our thinking along economic lines. No doubt the American people did try harder than they ever had before to

comprehend economic concepts, principles, factors, and theories. The discussions and the propaganda accompanying New Deal economic legislation were educative to a degree. They could have been made much more so if governments, local, state, and Federal, had seen fit to provide unprejudiced and authoritative instruction. The war is not permitting us to relax in our concentration upon economics. The financing of our defense and attack and the regulating of our whole domestic economic system are being done in ways new to our history and in ways that force even dull citizens repeatedly to make crucial economic decisions.

We shall enter a postwar period of stupendous economic perplexities, therefore, not wholly ignorant nor unprepared. It is not likely, however, that we shall be able to deal with these perplexities satisfactorily on the mere basis of our recent experience. Not so many years ago Americans could properly be described as economic illiterates. They got along on mythologies and the pronouncements of soothsayers. Perhaps by the time this war is over, we shall no longer be economically illiterate, but we shall scarcely be intellectually free from wishful thinking and patent nostrums in this area. When we face the problems of the public debt, the systematizing of taxation, the balancing of production and consumption, the expansion of foreign trade, the prevention of inflation and of depression, the furtherance of economic security, and the harmonizing of private, governmental, and cooperative enterprise as these problems will then present themselves, we may still find ourselves accepting without criticism the answers coming most assuredly and persuasively over the radio.

Science and Technology. Postwar Americans will be more scientifically and technologically minded than ever. They will be in pretty general agreement that human life the world over can be sustained on progressively higher and higher levels only through the application of research findings and machine invention. They will be less disposed to assign pessimistic limits to these instrumentalities than in the past. The war will be won by these means and it may not seem out of reason to us in the future that peace and the human possibilities that depend upon peace may be guaranteed largely by the same. The prolongation of life, the reduction of disease, the increase of human health and productivity, the enrichment of life that physical well-being permits, all these our advancing science will ensure if properly supported by our citizenry. An economy of plenty is now a respectable conception, so that

the day seems within reach when at least the poor and lowly need not be satisfied with the status which it has pleased providence to give them. The age of science and of the machine is as yet just getting under way. Americans in general have scarcely begun to sense their personal responsibility toward its advancement.

Democracy. Americans should come through the present conflict with their totalitarian enemies much more intelligently and emotionally concerned about democracy than when they entered it. One would expect in the future less identification of everything American with democracy. We shall almost certainly be more disposed to check what is labeled democratic after this war against sound criteria of democracy than we used to be. In the clash of great ideologies, which this war in part is, Americans have been considerably disturbed to discover how vague and contradictory their democratic faiths and creeds really are. There has been a marked movement preceding and during the war thus far to reach a currently acceptable notion of what democracy is and what it implies. Postwar America is likely to recognize the need for continuing that effort. There promises to be an unusually large number of thoughtful Americans after this war who will be greatly concerned lest, in the victory of the democracies, democracy will be forgotten. It is fortunate for their interest and anxieties that we are fighting against dictatorships. That sharpens our sense of what we stand for in political and social philosophy. If we were fighting democracies, then democrats might well expect the cause of democracy to lose. As things are, it seems scarcely possible that postwar Americans will soon grow indifferent to the faith for which they now know they are fighting.

Federalization. There is little in the prospectus of postwar conditions in the United States that promises a conspicuous revival of local and state authority at the expense of Federal power and responsibility. Our traditional democratic theory calls for much local autonomy; but the conditions under which we live and under which we shall live call for a high degree of governmental centralization.

Our postwar problem, as has been our prewar problem, will be that of getting things done in this country which democracy must have done without at the same time sacrificing democratic guarantees and procedures in the doing of them. The problem on the one hand will be that of keeping states and communities hustling for their own good and on the other that of keeping the necessarily

broad and diverse services of the Federal government continually open to view and criticism and therefore responsive to the popular will. We face a future of great Federal power and great potential service. Good citizenship will consist in keeping the former in check and the latter at its optimum.

Postwar Needs and Prewar Trends. The foregoing canvass of postwar conditions and problems in the United States is highly generalized. Particularization scarcely seems justifiable in the present connection. The great themes around which our lives as citizens will be organized in the future will be war prevention, internationalism, economics, science and technology, democracy, and governmental centralization. Will these signify for public education anything very new or any modification of prewar trends?

To begin with, these factors of our postwar life cannot possibly mean cessation or slowing up in the diffusion, extension, and equalizing of education. Without exception they call for more education than ever, available to more and more people, especially to adults, and education of uniformly high quality throughout the land. They are reasons for promoting education too obvious and critical to be ignored or denied. The teaching profession and the lay citizens who have education most at heart will be inconceivably stupid and inept if, under these circumstances, they fail to make the schools a prior claim on the interest and support of all Americans. Perhaps the real danger will be an excessive reliance upon school education for the solution of these postwar problems. The schools cannot solve them; they can merely put the people in the way of attacking them more intelligently.

It seems certain also that there will be no reaction against direct social functionalism in education after the war. In fact there may be approval of little else of what our schools do. Social efficiency will be our over-all aim more than ever. It may very well happen, however, that the categories of vocation, homemaking, health, leisure, etc., will not be so determinative of our curriculum organization as seemed likely a few years ago. It may very well turn out that we shall first check our school offerings and instruction against the great problems that have been cited here as primarily characteristic of the postwar period. It may be that war prevention, internationalism, economic understanding, scientific appreciation, democracy, and political intelligence will engage our attention and give form to our school program from nursery school to adult education.

Since one of the major themes of postwar America will be the celebration and further development of democracy, our prewar educational enthusiasm in this direction will be confirmed and increased. Democracy is an evolving concept, continually emerging into new forms and developing new implications. It is therefore not strange that at any moment people are not in agreement as to precisely what it is and what it means. Even so, the vagueness and childishness of the prewar American's typical notions of democracy were inexcusable. Possibly the schools were to blame, for they too took democracy pretty much for granted. Teachers as well as other citizens identified it with all we do in this country, regardless of the contradictions and mutual nullifications of so much of our social thought and behavior. The postwar teacher should be much clearer in mind as to what democracy is, much keener to see the undemocratic features of our community life and our educational practice, much more concerned about how democracy is to be taught, being now convinced that it has to be taught, than was the prewar teacher. Totalitarianism has at least made us conscious of the flimsiness of our own social and political thinking and chagrined over the inconsistencies of action that it has permitted and condoned. After the war schools will have to teach democracy and prove that they are doing so. Contributory to such proof will be evidence that democracy is being practiced in instruction itself and in school administration.

The trend toward individualization, which so definitely characterized education before the war, will be further promoted in some of its aspects and discouraged in others after the war. Insofar as individualization has meant concern about pupils as persons, about adjusting the school to individual differences in ability, interest, and obvious needs, about counseling, diagnosing, and following up, it will continue as a significant movement in our education. The postwar concern over democracy alone will guarantee that. Insofar, however, as individualization has meant subordinating education to individual whims and trivial individual interests, it is likely to be opposed. The notion that democracy is a form of human cooperation whereby individuals grow into worth-while persons is likely to supersede the notion that democracy is a form of society in which individuals are afforded unlimited opportunity to do as they please. Individuality as such will continue to have greater ultimate importance for us than social forms and institutions; but we shall not readily believe that it can be cultivated in disregard of

custom, culture, and cooperative enterprise. The socially efficient individual will continue to be a main objective, but the concept will include more of social understandings, participation, obligation, and service than it once did.

As to the last of the prewar trends that was presented, namely, efficiency in the organization and operation of the schools, the post-war pressures in this direction will be greater than ever. Our citizens will be compelled, it would seem, to set high value on economy, elimination of waste, definiteness of objectives, thorough utilization of resources, and careful evaluation of results. Educational costs are bound to go up, but they will be scrutinized without sentiment or blanket acceptance of the reasons set forth by schoolmen. Those in charge of the schools will have to justify their budgets and their administrative proposals with something better than ex-cathedra oratory or invocations of pedagogical idols. They will also have to show that money spent, materials used, and personnel employed have produced what was promised. Scientific management of educational institutions, which so far has been merely a mark of distinction here and there, will be a universal obligation after this war. Public-spirited lay citizens will continue to promote education, but they will have less patience than they once had with pedagogical tradition, academic fixities, selfish professional interests, and the inertias and complacencies that so readily beset our educational management. Many reforms in American school organization, articulation, support, curriculum, staffing, pupil guidance, plant, and equipment in terms of efficiency are long overdue. The economic sensitiveness and the scientific mood of postwar America should hasten them along.

Postwar Personnel in Education. For the most part, then, pre-war trends in education may be expected to continue at accelerated rate when peace comes. Most of our problems will remain the same but will be more definitely recognized and their solutions more exigent. The good educational statesman of the postwar era will be a realistic student of the causes of war, an internationalist, an economist, a thorough respecter of science and technology, a genuine democrat, and a keen appraiser of administrative efficiency. Good school administrators and good teachers too will be all this, but in addition will also be masters of the pedagogical means by which all great social problems and issues can be brought under persistent examination and at least made intelligible. In our post-war schools men and women will be needed who can plan and

administer curriculum elements that will make the young hate war, know why, understand its causes, and become in realistic ways devoted guardians of peace. We shall need teachers who know other cultures besides our own and who can use the materials of history, the social sciences, geography, literature, and art to cultivate world understandings and such a sense of international citizenship as will guarantee continued support of a world order and the development of the machinery required to operate it. We shall need many teachers of economics, or, better, we shall require that most teachers shall be able to teach economics in ways appropriate to the ages and maturities of their pupils. The present content of the school curriculum that may be labeled economics is ridiculously small, excessively formal, under strong suspicion of prejudice and distortion, and obviously productive of little or no economic sense in the average person.

We shall urgently need teachers of science in postwar schools. In the total picture of what our schools now teach, science is as badly organized and as ineffectively taught as economics. Superstition, folklore, mysticism, and downright ignorance still characterize much of the behavior of our citizens in areas of life where science has made great conquests. Feeble as is the scientific knowledge of most of our school graduates it is proportionately greater than their appreciation of scientific method. In postwar America the people will increasingly have to support scientific research. With the exception of a few striking instances they have given no evidence as yet of being ready to do it. For that, education is clearly responsible.

The Public and the Profession. The nature of postwar demands on education will be such that the public at least will not pay much regard to professional squabbling about hierarchies of studies, about the relative merits of sciences and humanities, intellectual and practical studies, liberal and vocational arts. It will want to be shown that whatever we teach and whatever our methods of teaching it, the results are peace, world understanding, increasing democracy, economic welfare, and its money's worth. If such be shown, nothing will be too good for the schools. That it may be shown is the postwar challenge to the teaching profession in America.

The Professional Challenge. At the present moment the teaching profession is not any too well prepared even to outline the educational programs that will be needed. Among us there are divisions, segregations, illusions of inferiority and superiority, vested interests,

jealousies, and self-erected barriers to the public and its affairs. All these things cripple the effectiveness of the profession in producing a socially sensitive and socially serviceable education. They make the lay citizen think that he has perhaps given the teachers, or at least the professors, too much leeway after all. They encourage him to lay aside the things he may know most about and to try his hand at ordering the educational enterprise. Such an event would not suit us of the profession at all. We cannot hope, however, to influence and guide public education unless we keep awake to changing social values and needs and recognize them as cues for school adjustments and revised objectives. Whether education flourishes or suffers after the war will depend in considerable degree upon how much and how frankly educators, great and small, shall have consulted with the people about their wants and their ideals, shall have interpreted those wants and ideals into educational terms, shall have united to serve them, and shall have drawn the plans for doing so. It is up to the profession, provided it makes sure of its social sensitivity and vision, to make plain to the people of our postwar world that the chief enterprise of a democracy must be education. But that educational enterprise must itself be democratically conducted toward democratic goals.

CHAPTER XI

THE NEGRO

THOMAS C. T. McCORMICK

It is well known that Negroes in the United States, both North and South, have long been growing more resentful of racial discrimination and that the relations between them and the whites have been becoming more strained. The entrance of this country into the second world war within a generation as a defender of the democratic way of life incited aggressive Negro leaders to multiply their demands for immediate equality with whites in economic employment and the outlawing of other traditional inequalities. The hopes and the discontent of the Negroes will continue with an Allied victory. Because of large migrations of colored people to Northern cities in recent decades, the Negro is no longer confined to the South. It is certain that, even if the Federal government were so inclined, any thoroughgoing attempt that it might make to enforce equality for the Negro would at once meet with the bitter and unyielding opposition of the Southern states, and it is not likely that it would have the political support of the rest of the nation. The inconsistencies, the difficulties, and the dangers of the situation are obvious. It is the purpose of this chapter to survey the present position of the Negro, to sketch the chief developments that have taken place, and to reconsider some of the basic explanations and interpretations of this complex national problem.

NUMERICAL IMPORTANCE OF THE NEGRO¹

Negroes are the outstanding racial minority in the United States partly because of sheer numbers. In 1940 Negroes totaled nearly 13 millions, so that, if evenly distributed, about one person in every ten would be a Negro. In certain parts of the country, however, the race is much more important than even its total numbers would suggest. In many counties of the Southern states three-fourths

¹ The sources of the figures in this section are the Sixteenth Census of the United States and earlier censuses.

of the population are Negro, and occasional counties show a ratio of four Negroes to one white.

Negroes do not immigrate in appreciable numbers to this country and, therefore, increase only by excess of births over deaths, including a contribution by the whites through miscegenation. Nevertheless, between the last two decennial censuses they added nearly 1 million to their numbers, a growth of a little more than 8 per cent. According to sample estimates by the United States Census Bureau, over the 5-year interval 1935-1940 whites had slightly higher net reproduction rates than nonwhites in cities (731 and 702, respectively); but the rates for nonwhites exceeded those for whites in villages and especially on farms (rural-farm: nonwhites 2,058, whites 1,572). Moreover, 33 per cent of nonwhites but only 22 per cent of whites lived on farms or in rural-farm territory. The result was to give all classes of nonwhites a mean net reproduction rate of 1,137 and all classes of whites a mean net reproduction rate of 957. These figures mean that if the birth and death rates of 1935-1940 and the present residential distribution of whites and nonwhites should continue as they now are, the time would come when each 1,000 girl babies in one generation of whites would be replaced by only 957 girl babies born in the next generation; whereas each 1,000 girl babies in one generation of nonwhites would be replaced by 1,137 in the next generation. Thus the whites would gradually decline in number and the nonwhites would increase. As a matter of record, however, the percentage of Negroes in the total population has fallen from 19 in 1810 to 9.8 in 1940. This shrinkage in the proportion of Negroes has of course been due to an enormous immigration of whites over the period; and it was chiefly because there was no net immigration between 1930 and 1940 that the percentage of Negroes was able to rise slightly from 9.7 to 9.8. In the decades just ahead, it is probable that a larger part of the Negro population will live in cities, and that white immigration will continue on a restricted basis. On the other hand, a larger proportion of blacks than of whites will remain in the lower economic and rural classes that furnish more than their quota of births. After balancing all these factors, it appears that the present ratio between the numbers of whites and Negroes will continue without much change.

PRESENT STATUS OF THE NEGRO

One of the most important indexes of the status of a minority people is its level of living and the economic inequalities that exist

between it and the majority. A recent extensive survey, the Consumer Purchases Study,¹ found that in the South generally the median income of Negro families in both rural and urban areas in 1935-1936 was about one-half that of white families in the same types of areas, while in the Northern cities of New York, Chicago, and Columbus, Negro families had a median income about two-thirds that of whites.² Because of defects of sampling it cannot be claimed that these estimates are exact; but they do support the results of all other investigations and common observation in finding that Negroes on the average exist at a sharply lower level of living than do whites.

In the middle 1930's one-half of a group of nonrelief³ Negro families investigated in the South reported incomes of less than about \$525 a year, and in the three Northern cities mentioned above every other nonrelief Negro family was living on less than \$1,100.⁴ The average incomes of Negro nonrelief families in all the Southern cities and in all but a few of the Northern cities included in the National Health Survey failed to reach the level of an "emergency" budget (\$903) prepared by the Works Progress Administration in 1935.⁵ In the words of its author, this budget "might be questioned on the grounds of health hazards if families had to live at this level for a considerable period of time." In no city did the average income of white families fall so low as this. Allowance should be made for the fact that these figures were taken in the middle of a severe economic depression, but this does not destroy their significance.

The Consumer Purchases Study also suggests that the reputation of Negroes for thriftlessness is exaggerated. When Negro and white families in the same income class were compared, a somewhat smaller percentage of Negroes than of whites was found to end the year with a deficit.⁶ This finding cannot be taken literally because here, too, the sampling of whites and Negroes in the study cited was

¹ STERNER, RICHARD: *The Negro's Share*, pp. 60, 327ff., New York, 1943.

² The Northern and Southern figures are not comparable, (1) because many small cities were included in the Southern estimate and (2) because a much larger proportion of Negro families was on relief in Northern cities than in Southern cities, and these were omitted from the estimates.

³ Not receiving aid from any public or private relief organization.

⁴ STERNER, *op. cit.*, pp. 85, 328-329.

⁵ *Ibid.*, p. 93.

⁶ *Ibid.*, Chaps. IX and X.

biased; but it does demonstrate that many Negro families were careful and thrifty in the management of their affairs.

Extensive housing surveys show that the masses of Negroes everywhere occupy the least desirable and the most inadequate dwellings located in the poorest areas of both city and open country.

Negroes are customarily paid lower wages than whites for apparently the same kind of work in the South, although no strictly accurate comparison has ever been made in terms of amount and quality of work performed. For traditional reasons, or because Negroes are easier to control, colored labor is usually employed in preference to white on plantations, in domestic service, and in some other low-grade occupations in the South. Negroes have long been numerous in the labor force of the iron industry in the Birmingham district; but few of them are found in textile mills and in most other Southern industries. In the North, discrimination against the employment of Negroes in industry has been more general. This attitude has recently been dramatically revealed by the slow and scattered acceptance of Negroes in the suddenly expanded war industries of the nation in the face of an acute manpower shortage. Even in 1937 and 1940 the proportion of Negro males fourteen years of age and over employed in urban areas was only three-fourths to nine-tenths that of the corresponding class of whites. In the Southern and border states in 1941, with some exceptions (*e.g.*, North Carolina), Negroes were barred from war emergency training courses for workers and, although this was not true in the North, schooling there seldom led to jobs. This situation aroused so much resentment among Negroes in every section that a protest march upon the national capital by thousands of blacks was organized by Negro leaders for the summer of 1941 and was abandoned only at the personal request of the President of the United States.

Negro workers are excluded from membership in many of the unions of the American Federation of Labor and from almost all the affiliated and unaffiliated railroad brotherhoods. They are generally accepted by the Congress of Industrial Organizations (C.I.O.) although there has been discrimination in reference to promotion seniority; but the C.I.O. is not now important in the industries that employ large numbers of Negroes. In the past, labor unions generally have offered organized opposition to the admission of Negro workers in urban industry. Also, many Negro leaders have been traditionally opposed to the affiliation of Negro workers with

the unions and have preferred rather to appeal directly to the employers.

A comparison of the occupational distribution of employed Negro males with that of whites is shown in the accompanying table. As would be expected, relatively fewest Negroes appear among business proprietors, managers, and officials, and relatively most Negroes among domestic servants. There are nearly three Negroes to one white among unskilled industrial and farm laborers. Ninety-five per cent of all employed Negro males are engaged in manual labor, in contrast to 70 per cent of whites. It is not surprising that such occupations as Pullman porter, postal clerk, and mail carrier have high prestige among Negroes!

OCCUPATIONS OF EMPLOYED NEGRO AND WHITE MALES, 1940*

Occupation class	Percentage of total		Negro as percentage of white
	White	Negro	
Total.....	99.27	99.46	
White collar.....	30.35	5.08	17
Professional and semiprofessional.....	5.88	1.82	31
Proprietors, managers, and officials.....	10.59	1.27	12
Clerical, sales, etc.....	13.88	1.99	14
Skilled industrial craftsmen, foremen, etc.	15.56	4.42	28
Semiskilled industrial operatives, etc.....	18.82	12.53	67
Unskilled industrial laborers.....	7.53	21.24	282
Domestic and personal			
Service.....	6.01	15.25	254
Domestic service.....	0.16	2.91	1,820
Protective service.....	2.13	0.54	25
Other service.....	3.72	11.80	317
Agriculture.....	21.00	40.94	191
Farmers.....	14.03	21.13	151
Farm laborers.....	6.97	19.81	285

* SOURCE: 1940 Census of the United States.

The markedly inferior economic position of the great majority of the colored race as compared with most of the white race in the United States is clear from all the formal data that have been collected, as well as from common knowledge.

Another very significant index of the status of Negroes today is the amount of formal education they have. In 1940, for the entire nation, Negroes twenty-five years old and over had completed a

median of 5.7 school years, compared with 8.8 school years completed by native whites and 7.3 school years by foreign-born whites. Ten per cent of these Negroes had finished no school years at all, the corresponding figures for native whites and foreign-born whites being 1.3 and 12.2 per cent, respectively. That the quality of the schooling received by Southern Negro children is much poorer than that received by Southern white children is evident from the fact that in 10 Southern states in 1936 the average expenditure was \$17 per Negro pupil and \$49 per white pupil. Moreover, the schooling of the two races is by no means on an equal footing in the cities of the North. The Negro race as a whole, therefore, evidently stands on an educational level much below that of the whites.

Related to the poverty, lack of education, and low status of the Negro masses is their record of legal arrests. The number of arrests of Negroes per 100,000 of the Negro population fifteen years of age and over in 1940 was 1,708, while the corresponding rate for native whites was 620 and for foreign-born whites 202. For criminal homicide the Negro arrest rate was about seven times that of native whites; for robbery it was four times as great; and for assault it was eight times as great. "In the South the number of Negro male felony prisoners is only between two and two and a half times as great (in proportion to population) as the number of native white male felony prisoners. In the North, however, the Negro rate is almost five times as large as the white rate. This would seem to be due mainly to the fact that Northern Negroes are concentrated in cities, where social disorganization is greater and law enforcement is more efficient."¹ It is well known that Negroes have "high visibility" to the police and are arrested much more readily than whites. Yet, however these striking differences in arrest rates may be interpreted, the fact that Negroes find themselves in trouble with the law so much more often than whites must be regarded as another indication of an abnormal relationship between them and the dominant white society in which they live.

In a typical year, 1941, the Bureau of the Census reported 176 illegitimate nonwhite births per 1,000 total live births, in contrast to a white rate of 19. The difference in the sexual habits of the races must be something less than such statistics show, because the whites are known to make more use of contraceptive and preventive devices. Yet these rates of illegitimacy also vividly reflect the low class status of the Negroes and reveal a marked and persistent

¹ MYRDAL, GUNNAR: *An American Dilemma*, vol. 2, p. 971, New York, 1944.

deviation on their part from the family mores and organization of the white population.

Disease and death usually prey more freely upon a disadvantaged people. The death rate per 1,000 Negroes in 1940 was 13.9, while per 1,000 whites it was 10.4. At the death rates prevailing between 1930 and 1939, the average nonwhite male in his twenty-fifth year could expect to live 35 years longer, while the average white male of the same age could look forward to 43 years. Surveys have shown that sickness is over 40 per cent more frequent among Negroes than among whites. In cities tuberculosis kills relatively about five times as many Negroes as whites; and the death rate of Negro women at childbirth is three times that of white women.¹

In most of the Southern states, Negroes participate only to a very limited extent in voting at local and state elections. Negroes are not often allowed to vote in the Southern Democratic white primary, which is usually equivalent to the election in a section where the Democratic party has no serious opposition. Furthermore, large numbers of Negroes, and also many whites, do not pay the poll tax that is common in the South, and are thereby disqualified from voting. Although Negroes are not prevented from voting in the cities of the North, it is a very exceptional occurrence for one of them to be elected to even a minor public office.

A final test of the position of a minority people is the willingness of the majority to live, associate, and intermarry with them. In the South, Negroes are sent to separate schools, they attend separate churches, they belong to separate lodges, they are not generally allowed to sit with whites in public conveyances, and they do not exchange social visits with them.² In cities everywhere, but more rigidly in the North than in the South, Negroes live apart in black belts and Harlems. In the Army, Negro privates are placed in segregated units and are commonly assigned to manual labor rather than to combat duty. Negro officers of high rank are rare and are looked at askance. Until recently the Navy accepted Negroes only as messmen and for other menial work, and it now admits only a limited number to serve chiefly under white officers. Intermarriage between Negroes and whites is forbidden by law in all of the Southern states and in more than a dozen states of the West and North.

¹ LEWIS, J. H.: *The Biology of the Negro*, Chicago, 1942. DOYLE, BERTRAM W.: *The Etiquette of Race Relations in the South*, Chicago, 1937.

² JOHNSON, CHARLES S.: *Patterns of Negro Segregation*, New York, 1943.

Such is a brief appraisal of the present position of the Negro in the United States, 78 years after his emancipation from slavery. His status is obviously still markedly inferior to that of the whites in every respect.

CHANGES IN THE STATUS OF THE NEGRO SINCE EMANCIPATION

It is also important to know what progress the Negro has made since he has been free.

The only available data that are capable of showing a trend in the economic condition of Negroes relate to farm ownership, home ownership, and occupational distribution.

In the year 1910, 219,000 Negro families had risen from a condition in which they were chattel property themselves to partial or complete ownership of 12,850,000 acres of farm land valued at over 600 million dollars.¹ Twenty years later, there had been some decline in Negro farm ownership, Negroes owning in 1930 about 182,000 farm totaling 11.7 million acres. This loss occurred chiefly in the four Southern states of Georgia, South Carolina, Alabama, and Tennessee, each with a high concentration of Negroes, and was due largely to such causes as soil erosion, the boll weevil, and the westward shift of cotton production. The number of Negro farm owners went down further to 174,000 in 1940; but over one-fourth of all farms operated by Negroes were then owned by their operators, which is a higher percentage of ownership than was reported in any of the three preceding decennial censuses. Although in the South the number of Negro farmers has been decreasing relative to white farmers, the proportion of Negroes remaining in agriculture in that section is still considerably greater than the proportion of whites. This situation has been summarized by Rupert B. Vance:

Negro farmers lost their proportional representation during this period but markedly improved their agricultural position. Though their status upon emancipation was purely that of laborers, by 1930 only 29 per cent of Negro males in agriculture were laborers. Fifty-eight per cent had become tenants, and 13 per cent were owners. But among the white farm operators the rise of a tenantry has meant a great decrease in the proportion of ownership.

Thus the result of competition for the land presents a picture not altogether unfavorable to the Negro farmer. Present Negro owners and

¹ HARRIS, ABRAM L., and STERLING D. SPERO: *Negro Problem, Encyclopaedia of the Social Sciences*, vol. 2, p. 341, New York, 1930.

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tenants are all the descendants of slave laborers, while the white tenants and laborers are children and grandchildren, in the main, of landowners. For the Negro, tenancy . . . is a step in advance of the previous generation; for the whites, it is a step backward.¹

Coincident with the development of unfavorable conditions in Southeastern agriculture, the growing demands of war industry in 1916 to 1919 and the curbing of foreign immigration in 1924 drew more and more Negroes into the flow of population from the farms to the cities, including the industrial cities of the North. As a result, Negroes, like whites, but more slowly, have become steadily less dependent upon agriculture for a livelihood, until now only one-third of them live on farms. "Between 1910 and 1930, while Negro males were giving up or losing close to 300,000 jobs in agriculture, they were gaining 775,000 jobs in nonagricultural industries."² The number of Negroes in manufacturing and mechanical industries, and in transportation and communication, expanded about 50 per cent from 1910 to 1930 and has increased further since. Although Negroes are employed mainly as unskilled laborers, the proportion of colored male workers who were unskilled dropped from 74 in 1910 to 69 in 1930. There are relatively few Negroes in public service, but the proportion more than doubled between 1910 and 1930. Within the segregated black belts of the cities Negroes have also been able to develop in modest but significant numbers their own shopkeepers, realtors, bankers, clericals, and professionals such as lawyers, physicians, journalists, scholars, writers, and artists.³ Negro newspapers now have a circulation of about 1.5 millions. As an indication of their progress in some kinds of business, in 1941 Negroes owned and operated 21 legal reserve life insurance and assessment companies with a combined premium income of over 16 million dollars.

In the summer of 1941, President Roosevelt, moved by the threat of the protest march by Negroes on Washington, issued his now famous Executive Order 8802, declaring that "all contracting agencies of the Government of the United States shall include in all defense contracts hereafter negotiated by them a provision obligating the contractor not to discriminate against any workers"; and

¹ VANCE, RUPERT B.: Racial Competition for the Land, in *Race Relations and the Race Problem*, Edgar T. Thompson, ed., p. 113, Durham, N. C., 1939.

² STERNER, *op. cit.*, p. 21.

³ JOHNSON, *op. cit.*, pp. 87-89.

to see that it was obeyed, he created a Committee on Fair Employment Practices, and later a Negro Manpower Service in the War Manpower Commission. The President was somewhat embarrassed in giving such a mandate to private enterprise by the circumstance that there were then few Negroes among the vast number of white-collar employees of the Federal bureaus in Washington. Regarding the effects of the President's action, a survey in the fall of 1941 revealed that half of the prospective job openings for unskilled and skilled labor throughout the country was still closed to Negroes. In the spring of 1942 another survey showed that many firms had begun to hire Negroes, but that this employment often represented little more than token compliance with the government "order." Between July, 1942, and July, 1943, however, the percentage of Negroes in establishments reporting to the United States Employment Service increased from 5.8 to 6.7 per cent; and although Negroes were still not "employed in war industry in numbers commensurate with their proportion in the general labor force," a reliable Negro publication reported that "in spite of the frequency of employment difficulties and interracial conflicts in industry, the major problem of simple Negro employment has been overcome." Simultaneously, Negro leaders, while pointing out that the "potential skills" of Negroes are still being inadequately utilized, have admitted significant advances for the Negro in the field of labor organization, in up-grading to semiskilled and skilled jobs, and in employment in automobile plants, in the iron and steel industry, in aircraft factories, in ordnance works, and in shipbuilding yards throughout the country.¹ These Negro gains have evidently resulted from the accumulating pressure of an acute man-power shortage in war industry rather than from government fiat, from Negro agitation, or from any basic change in white sentiment. Yet even if after the war emergency has passed these gains should be largely wiped away, new precedents and patterns of Negro employment have been set that in the future are likely to allow colored labor to flow back more readily into the same channels.

The percentage of nonfarm Negro-occupied dwellings owned by their occupants rose from 17.0 in 1900 to 23.6 in 1940, a gain of 39 per cent. For whites there was a corresponding increase from 36.7 to 42.7 per cent, a gain of 16 per cent. Thus, while the proportion of ownership of nonfarm homes by Negroes remains much less

¹ WEAVER, ROBERT C.: The Negro Comes of Age in Industry, *The Atlantic*, September, 1943.

than in the case of whites, the difference has decreased in recent years.

The preceding facts show beyond question that the range of economic opportunities for Negroes in the highly organized and competitive American system of free enterprise has been gradually expanding and that the ownership of property among them has been slowly increasing, in the two or three generations that have passed since their release from slavery.

It is somewhat simpler to measure the progress that Negroes have made in education. Whereas, in 1865, 95 Negroes in 100 could not read, today the figures are practically reversed, and over 90 in 100 can read. In 17 Southern states in 1940 87 per cent of Negro children six to fourteen years old, inclusive, were attending school, compared with 58 per cent in 1915.

North Carolina is a good illustration of the change in attitude of southern states toward Negro education. In 1835 that state passed a law forbidding the teaching of the race and specifically stating that its public-school system should "never extend any of its benefits to any descendant of Negro ancestors even to the fourth generation." Just a century later, North Carolina is leading the nation in its provision of public instruction for Negroes, with 2,141 public schools, 168 of them at high school level, 5 state-supported colleges, and \$7,000,000 annual expenditure from the state treasury for Negro education.

For the South as a whole, a survey in 1936 showed 2,439,000 Negro children in school, 189,000 of them in high schools, and 11,000 in the several state colleges for Negroes. In that year 61,000 colored teachers were employed from tax money, 2,700 of them in institutions of college grade.¹

In 1940, the Federal Census reported 80,000 Negroes who had completed four or more years of college training.

When it is further noted that about one-fifth of all Negroes now live in Northern cities where they often attend the same public schools with the whites, the vast improvement that has taken place in the educational situation of the race can be appreciated.

Indeed, it is a matter of complaint that Negroes are now being educated beyond the opportunities granted them to participate in the economic and social life of the nation. Yet the North Carolina legislature of 1835 was not mistaken in its belief that education would cause the Negro to try to rise above his old "place," for it is of course having exactly that effect.

¹ EMBREE, EDWIN R.: *American Negroes: A Handbook*, pp. 36, 37, New York, 1942.

The exceedingly high illegitimate birth rates of nonwhites previously cited vary little from South to North and have shown no tendency to decline over a period of 20 years. The Negro arrest rate has increased absolutely, probably because of more accurate recording, and has remained about three times that of whites over the 7 or 8 years for which official figures are available. Yet it is a matter of frequent observation that the Negro middle class maintains standards of conduct little different from those of the same class of whites.

Recent years have brought a spectacular decline in the number of Negro lynchings in the South, from an average of 84 per year between 1889 and 1919 to 4 or 5 per year in 1940 and 1941. This is interpreted to mean that, for the present at least, the methods of controlling the Negro have about passed beyond the stage of readjustment and violence that followed the Civil War and have taken on a more formal and legal pattern. Although such a trend does not yet imply the equality of the Negro before the courts, it is generally agreed that it represents one of the most significant developments in the history of race relations in the South.

The item of Negro health, as reflected in number of deaths, shows impressive progress. The Negro death rate has been cut in half since 1900, owing not only to the general advance of sanitation and medicine but also probably to improvement in the economic and educational level of the race.

Even the political position of the Negro has not remained completely stationary with the passing of time in the Southern states. According to Luther P. Jackson, writing in the annual report of the Virginia (Negro) Voters League for 1942, "in all things pertaining to the suffrage—registration of voters, participation in the Democratic primary, and attitudes of candidates—Virginia has made steady advancement in recent years toward a relationship of racial equality. Whereas formerly most registrars refused registration to Negroes, today the overwhelming majority of them draw no color line." Yet in Virginia in 1942, of 28,800 Negroes who had paid their poll taxes, 11,000, or 38 per cent, made no use of the opportunity to vote. Negroes now vote in a few counties scattered through the South, and there has been some recent increase in Negro voting in the more northern of the Southern states. In Northern cities, the growing colored population has the same suffrage rights as whites. There Negroes have for the most part been voting with the political party that seemed most favorable

toward their race, and their vote promises to acquire some importance in the balance of power in city politics.

Statistics are lacking by which to gauge changes in the extent to which Negroes are socially segregated by whites. No increase in social visiting or in intermarriage between the two races is known to have occurred. The residential segregation of Negroes has been tightened in the cities of the North as a result of the heavy influx of colored people there. However, some relaxations have been noted in Jim Crow practices on railroads and other common carriers in the South; e.g., upper-class Negroes may now often be served in the same dining car with whites. It has already been seen that Negro children are found with white children in Northern public schools, and Negro workers are being mixed with white workers in some industries. Whereas in 1917 Negro Army officers were trained in a single school at Des Moines, Iowa, in the Second World War they have been interspersed among the whites in many camps in the South and elsewhere. The quota of Negroes in the Army in 1943 slightly exceeded their proportion in the general population, and the Navy for the first time has accepted a limited number of Negro volunteers as "reservists" and has admitted a few Negro ensigns.

It is generally recognized that with growing urbanization and education and the decline of religion, Negroes have become much more conscious of their rights as citizens of a democratic commonwealth.¹ War has again focused their attention more sharply on the discriminations practiced against them. During 1943, as in 1918 and 1919, race riots in Texas, Michigan, California, New York, and elsewhere gave clear evidence of the tension beneath the surface. In the case of the Detroit riot, over 200 editors of daily papers in 29 scattered states considered traditional race prejudice to be the fundamental cause, with subversive activities, crowded housing and poor recreational facilities, juvenile delinquents, and war tensions following in order of importance. A report to the Governor of Michigan by the acting supervisor of the State Bureau of Child Welfare on interviews with 340 men held by

¹ WOORTER, T. J., JR.: *Races and Ethnic Groups in American Life*, p. 200, New York, 1933. POWDERMAKER, HORTENSE: The Channelling of Negro Aggression by the Cultural Process, *Education and the Cultural Process*, Charles S. Johnson, ed., reprinted from *American Journal of Sociology*, vol. 48, No. 6, p. 129, May, 1943.

the Detroit police for participating in the riots states that these men were not recent migrants to Detroit, 23 of the 26 whites arrested were of Northern origin, and most of them were steadily employed at good wages.

FORCES TENDING TO REDUCE DISCRIMINATION

The on-going changes that have just been described in the status of the Negro are being brought about by a number of influences, the most important of which will be briefly noticed.

In a strictly psychological sense, "discrimination" is merely the discernment of differences that leads to differential behavior. From a sociological viewpoint, the question of when discriminatory behavior toward any group such as the Negro is "unjust" can find an answer only in the mores of the people. In the United States, the mores vary to some extent by region and by race. To most Southern whites, the whole differential treatment of the Negro appears necessary and proper. By the Negroes themselves it is now regarded as both unnecessary and unjust. Also, the attitudes of the whites in the North deviate from those in the South to such an extent that much of the treatment of the Negro that is conventional in the South is thought to be "wrong" in the North, although the North itself is by no means free of discrimination. Finally, the nation as a whole subscribes to certain idealistic democratic and Christian values that are often inconsistent with racial practices, both in the South and in the North. Assuming a "strain toward consistency" in the mores of a society, as William Graham Sumner¹ termed it, the sharpest of these differences in American racial opinion and behavior are gradually being worn down, and for that reason alone some forms of discrimination against the Negro will probably be relaxed or dropped. One of the numerous indications that such a process is under way is the evolution in the South of a vigorous liberal biracial organization, recently renamed the Southern Regional Council, with a full-time paid staff, which has for its primary purpose ". . . to attain through research and action programs the ideals and practices of equal opportunity for all people in the region; to reduce race tension, the basis of racial tension, racial misunderstanding, and racial distrust. . . ." Other evidences of the same kind are occasional editorials in southern newspapers pointing out that "it would be far better to do away

¹ SUMNER, WILLIAM GRAHAM: *Folkways*, p. 5, Boston, 1906.

with this (poll) tax by state action than by having other states continually 'yawping' at the state."

Although white employers in industry are often prejudiced against Negroes, their interest sometimes causes them to hire Negro laborers because they will work for lower wages. Accordingly, to strengthen their bargaining position, white workers in such cases may find it to their advantage to accept Negroes into their unions. As a matter of fact, "since 1936, . . . thousands of Negro workers have benefitted . . . as a result of collective agreements."¹ There is even a possibility that eventually the distinctions between white and black workers may be largely outweighed by the broader struggle between capital and labor.

Discrimination against the employment of Negroes becomes more awkward during certain crises, such as business depressions and wars, when the Federal government is directly or indirectly involved as an employer, and much public money is being spent. It is difficult for a government that formally recognizes all citizens as equal, or that makes war in defense of democracy, to permit gross racial inequalities in the dispensation of relief, jobs, or wage rates. Although, as a rule, Federal efforts at equalization are effectively nullified by local officials, it is nevertheless clear that on this account, also, the colored race has been permitted to make some economic gains.

As Negroes have gone to Northern cities, they have organized to protect their "rights" and have begun to take advantage of the legal machinery of the nation by retaining lawyers in the defense of Negroes involved in test cases of employment or other discrimination, whether in the South or in the North.

The inclination of white politicians of every party in Northern cities to cater to the Negro vote, the zeal of white liberals, and the increasing strength of militant Negro organizations in the North are social forces that may lead to a strengthening of Federal laws in an effort to compel the South to enfranchise her Negro masses, to admit Negroes to white schools, and to abolish Jim Crow practices. The most recent evidence of this trend was a ruling by the Supreme Court that held the white Democratic primary in Texas to be illegal. The Socialist and Communist parties especially have long ago declared themselves in favor of Negro equality. The Communists have actively taken the

¹ NORTHRUP, H. R.: *Organized Labor and the Negro*, p. 255, New York, 1944. *Fortune*, February, 1943.

Negro's part in the spectacular Scottsboro case and have proposed that a large part of the South should become for all practical purposes a Negro state. Similarly, the Trotskyist Socialist Workers party has promised, "What the federal government of the 1860s began and then abandoned, the Workers' and Farmers' Government will carry through to completion." Yet so far Negroes have shown little disposition to vote either the Socialist or the Communist ticket.

Improvements in Negro education and the growth of a Negro middle class with rising standards and achievements have lessened somewhat the average cultural distance between Negroes and whites. It does not follow, of course, that discrimination against Negroes would stop if they should eventually attain the cultural level of the whites. Caste attitudes are not necessarily forgotten when the situations in which they developed have changed. The treatment of the Negro would then depend on how the whites interpreted the new Negro in relation to white values and interests. In its early stages, it is likely that the advance of the Negro would appear to the whites to be even more threatening than before with reference to economic competition and race mixture. Nevertheless, one would expect the removal of many of the reasons for the present aversion toward the Negro eventually to result in some weakening of the emotional foundations of that aversion, which now makes a Negro competitor more resented than a white competitor, and creates opposition to any kind of equality with him.

The best tests that have been devised by psychologists to date fail to show that the Negro measures up to the white on the average in mental performance; but they do show beyond question that some Negroes are more intelligent than many whites. There is also a growing opinion among anthropologists that even the average innate inferiority of the Negro is not yet scientifically proved and that the explanation of his commonly poorer performance may finally be found to lie wholly in the economic and social disadvantages under which he lives.¹ From a rigorously scientific point of view, however, the answer to this question is not known, and it may never be—the question itself is more likely to be forgotten.

It is evident from what has already been said that the colored race has been greatly aided by two world wars within a generation. Mainly because of the critical man-power shortages that they

¹ MURPHY, GARDNER, LOIS BARCLAY MURPHY, and THEODORE M. NEWCOMB: *Experimental Social Psychology*, pp. 54f., New York, 1937.

created and of threats to wartime morale, each of these wars has allowed Negroes to make gains of every kind more abruptly than would ordinarily have been possible; and every step that Negroes have taken ahead has constituted a reality to which the attitudes of the whites have slowly tended to become adjusted.

A very fundamental consideration in the whole psychological situation that we have been discussing is the welfare of the white group. Do the whites penalize themselves also when they keep the Negroes in their "place," and if so, will this come to be generally recognized? The high crime rates, the high rates of disease and death, and the low general efficiency of Southern communities that have a large proportion of their population Negroes are well known. The burden of such a people upon the relief resources, upon governmental administration, and upon the psychology of living in the South has long been exceedingly heavy. It is probably this situation, as much as anything else, that has recently caused the South to experiment with the improvement of Negro education.

From the white point of view, the Negro problem would not exist at all if there were no Negroes, and it is generally assumed that race feeling increases as the proportion of Negroes in the population rises. The reduction of this proportion by one-half since 1810 has without doubt helped the situation much more than is generally realized. It has been seen, however, that because of the stoppage of white immigration, no further reduction in the ratio of Negroes is now to be looked for.

There is a possibility that the most decisive force acting upon the Negro problem will prove to be the illicit crossing of the races, which has already resulted in an extensive population of mixed bloods. High-grade mulattoes are often indistinguishable from whites in physical appearance, and it is common knowledge that each year many of them "cross the line," *i.e.*, succeed in passing as whites. In this way, an unknown amount of Negro blood is slowly being diffused among the white population. If the process should continue until most whites can no longer claim racial purity, a social hierarchy might develop based not on purity of race but on skin color, similar to that now found in Brazil and the West Indies. At present, however, irregular sex contacts between whites and Negroes are everywhere reported to be on the decline.

THE BASES OF DISCRIMINATION AGAINST THE NEGRO

The caste-like distinction between white and black in the United States has been accounted for in a variety of ways.

The members of almost all groups are inclined to regard their own traits as the best, and those that differ from them as inferior. Although they have not been accurately analyzed, there are evidently some deep-seated psychological reasons for this widespread attitude, *e.g.*, success is related to confidence and confidence to self-esteem; self-esteem is pleasant, its opposite is unpleasant; etc. It is an historical fact that "old" Americans of British stock always regarded themselves as both different from and "better" than Indians, Spaniards, Orientals, South European immigrants, and even later comers from Northern and Western Europe. Also, these prejudices have been roughly proportional to the biological and cultural differences that have existed between the old Americans and the various minority groups.

When a strange people is introduced into a society, the attitudes toward them are determined by the ideas and emotions with which they happen to be associated. Historically, within the memory of a few people still living, the Negroes were slaves and, moreover, "savages taken from the jungles of Darkest Africa." As such, they occupied the lowest possible rung on the social ladder and often were not even regarded as human beings possessed of "souls." The Negro has since been kept in his "place" in part because the folkways and institutions of this early society felt no need of any other place for him and bequeathed none to posterity.

In countries like Brazil, Puerto Rico, and Cuba, Negroes are not segregated as they are in the United States, even though the blacks everywhere form the bottom classes of the social pyramid with the color scheme paling off to white at the top.¹ This difference in development is often explained by pointing out that emancipation of Negroes in the first-named countries occurred as a natural process, whereas in the United States it was the forced result of a civil war followed by a bitter aftermath during which the Northern Army attempted to maintain recently liberated slaves in political positions of authority over their former masters. This caused Southern whites to identify the advancement of the Negro with the purpose of the Northern enemy and to make resistance to it a matter of loyalty to the Southland and its culture based on white supremacy. Moreover, in the words of another writer, ". . . the Negro . . . was . . . unfitted for the freedom . . . suddenly thrust upon him . . . he was forced to enter a competitive economic system when he knew not the meaning of such a condition.

¹ WILLIAMS, ERIC: Crossways of the Caribbean, and DANTE DE LAYTANO, Brazil's Pattern of Democracy, *Survey Graphic*, November, 1942.

. . . Because of this lack of adequate training the history of the Negro from 1865 to the present has been inevitable."¹

A further explanation is that the Latin-American republic of Brazil and the Caribbean Islands were largely colonized by single males who freely intermarried with Indian and Negro women and whose sole descendants were of mixed blood; whereas the United States had been occupied by white men with their wives and families when the black slaves were introduced, so that the offspring of miscegenation between the races carried the additional stigma of illegitimacy and were regarded as Negro instead of being accepted into the dominant race.

Although it is often charged with being only a rationalization to cover economic motives, the sentiment that Negroes should be segregated and assigned a humbler role because they are biologically inferior to the whites is probably the most general and fundamental of all white attitudes toward Negroes in the United States. It has been commonly believed that Negroes are at a lower level of biological evolution than whites because of their distinctive body odor when unwashed, their supposedly more pronounced sexuality, their higher crime rates, their poorer school performance, their lower average I.Q.'s received in mental tests, and their comparative lack of historical achievement. If it has occurred to many whites that some of these shortcomings may be due to the low social and economic status of the Negroes, it has not lessened their distaste for them. This opinion of Negroes has naturally given support to the sentiment that the white race would be degraded by intermarriage with them, although illicit sexual relations may occur. Even the few whites who disclaim this aversion to intermarriage with Negroes usually admit that they find it difficult to identify themselves with Negroid descendants. It has therefore happened that the whites have developed extraordinarily rigid mores for the purpose of preserving the purity of their race, including a taboo against intermarriage with Negroes and the exclusion from the white race of all children of mixed blood, illegitimate or otherwise.

It is believed by many students that the antagonism of a numerous class of poor whites in the South formed the chief barrier to the advancement of the Negro freedmen. Faced with direct competition from the blacks, these people are supposed to have enforced the

¹ NICHOLS, ROY F.: The Progress of the American Negro in Slavery, *The American Negro*, The Annals of the American Academy of Political and Social Science, vol. 140, p. 121, November, 1928.

code of white supremacy because it gave them an advantage. Resentment by lower class whites against Negroes as competitors for jobs is even regarded by some economic determinists as the sole reason for race discrimination throughout the nation. In support of this theory, they claim that middle- and upper-class whites take a more liberal attitude toward Negroes than do poor whites, although careful observers are not all agreed on this point; and they cite the well-known attempts of white laborers in the North to bar Negroes from employment in industry.

It has been said that minority groups like the Jews in Germany and the Negroes in the United States furnish the majority of the population with the psychological satisfaction of a scapegoat on which feelings of frustration may safely and usefully be vented in times of individual or national stress. One writer believes that it is emotionally more agreeable to treat a minority aggressively and tyrannically than it is to treat it with kindness, justice, and equality.

There is no doubt some truth in all these theories, but those that are usually considered most important have to do with economic competition and intermarriage.

TWO WHITE FEARS EXAMINED

Although it is not likely that reason will have much more to do with the course of race relations in the future than it has in the past, it is interesting to analyze more closely what are apparently the two chief causes of the differential treatment of the Negro. The first is the fear of the Negro as a competitor for jobs, and the second is the aversion to intermarriage with him.

Strictly speaking, if the Negro were resented only because he was an economic competitor of the white, none of the resentment against him would be due to the fact that he was a Negro. He would then be treated no differently from a white competitor, unless he were a more dangerous one. Apparently, Negroes would be more dangerous competitors than whites if Negro job seekers were more numerous than white job seekers, if Negroes were better workmen, or if they would take a lower wage. Since the whites seeking work even at the unskilled level in industry greatly outnumber Negroes except in parts of the South, the first possibility does not generally apply as a reality. It has seldom been claimed that Negroes were better workmen than whites. Negroes will often accept a lower wage than whites; but one way to prevent this is to take them into the white labor organizations. Since they

have not often been admitted to white labor unions, the third reason cannot be the controlling one. Unless the whole thing is just a mistake, therefore, the actual reason for discrimination against Negroes as competitors for industrial jobs must be either that they are members of a different race or that their weak position in our society makes it easier to block them out of competition. In the first case, the cause of the discrimination is race prejudice, and in the second, the differential treatment is made possible by race prejudice. Moreover, many classes of whites against whom Negroes do not compete are strongly prejudiced against them, even if less so than the classes exposed to their competition. These inferences would reverse a common belief that competition is always the cause of race prejudice and would make it appear that race prejudice, *i.e.*, aversion or dislike, is directly or indirectly responsible for the discrimination that is now practiced against the Negro in industry.

In the Southern states intermarriage between whites and Negroes is illegal and unknown. In those Northern states where there are no laws against it, it has very rarely occurred. Many observers are convinced that among Southern whites the feeling against marrying Negroes is so strong that it is the underlying reason for denying them equal civil rights and economic opportunities.

If Negroes were freely allowed to advance themselves, for a very considerable time the taboo against intermarriage would probably be little changed. This opinion is due to the observation that in the cities of the North, where racial attitudes are supposed to be less strong than in the South, intermarriage between the two races has shown no tendency to increase with the growth of a successful Negro middle class. Among middle-class Negroes a compensatory resistance to intermarriage with whites now exists and is becoming more rigid. Also, if the taboo were somewhat more often broken under a policy of no other discrimination against Negroes, the violators and their offspring could simply be dropped from the white race, as mulattoes have always been. Nevertheless, if the general principle is accepted that the aversion felt by whites to intermarriage with Negroes is not innate but grows largely out of the extremely low status of the latter race, this antipathy must be expected eventually to diminish as Negroes, and especially mulattoes, gradually advance in education, wealth, and power. The fear of the whites that equal opportunities for Negroes would

in the end lead to increasing intermarriage between the two races is therefore not without foundation. To be sure, this "foundation" is only a probability that many of the whites would lose their aversion to intermarriage with Negroes; but this is the one condition necessary for intermarriage, because the Negroes are a subordinate race, are already of mixed blood, and have everything to gain from further amalgamation with the whites.

With regard to the specific purpose of preserving the purity of the white race, however, illicit race crossing must of course be considered, as well as intermarriage. The question may then be raised whether a suppressive or a liberal policy toward Negroes would on the whole result in a slower infusion of Negro blood into the white race. The sexual exploitation of Negro women by white men is easier when Negroes are poor and degraded. It is not known whether the recent reduction in irregular sex relations between the two races is due more to a general improvement in the position of the Negroes or to a lowering of sex standards among white women. But if we can assume increasing use of contraceptive devices, we must again reach the conclusion that any accelerated absorption of Negro blood into the white race in the future can result only from the removal of the stigma from the Negro. If this is true, it is necessary to regard the unwillingness of whites to grant general equality to Negroes as due in part to a direct clash between the two values of white racial purity and democratic equality, both of which are characteristic of our society, rather than to a mistaken analysis of probabilities.

SOME ISSUES OF POLICY

Among the Negroes themselves, there has always been a lack of unity regarding racial policies. The idea of setting up a separate Negro state in Africa, in this country, or elsewhere, continues to be proposed by an occasional Southern politician, although it has been thoroughly discredited among Negroes since the debacle of Marcus Garvey, a Jamaican Negro who about 1914 organized a "back-to-Africa" movement of large dimensions and collected a huge sum of money from Negroes which was used for the purchase of unseaworthy trading ships. A comparatively few Negroes and many white liberals feel that the case of the Negro and other depressed minorities is hopeless under the present social and economic order and demand a revolution, usually to some form of Marxian communism, to be brought about by any means that

may be necessary. In contrast there are Negro leaders whose prominence and prosperity grow out of the inferior condition of their race and who accordingly strive to preserve the *status quo*.

From the Negro viewpoint, some of the fundamental issues of racial policy were early defined in the now rather outmoded division of opinion that arose between Booker T. Washington, pioneer Negro educator in the South, and W. E. B. DuBois, a founder of the National Association for the Advancement of Colored People, in New York City. Washington held that Negroes should make the most of whatever opportunities they had, in order that the race might slowly but surely rise by virtue of hard work, efficiency, and thrift. He looked for aid to the white employer and philanthropist and avoided ties with labor. On the contrary, DuBois, in the earlier spirit of Frederick Douglass, advocated the immediate removal of all distinctions between blacks and whites. Negroes now increasingly resent the "Uncle Tom" type of "good Negro" approved by Washington, with the result that the DuBois point of view has been gaining rapidly in every section of the country, until most Negro leaders of today have gone well beyond the position of DuBois himself.

Nothing that has happened, however, has caused the rejection of Booker Washington's belief that the competence and reliability of the colored masses must be raised and that the responsibility for improving the personal qualities and skills of the Negro rests primarily upon Negro leaders. The assistance of whites is essential, however, (1) because Negro leaders alone do not command enough resources for any kind of program and (2) because the program must be acceptable to whites.

With the passing of the years Negroes now no longer look primarily to Northern philanthropists for the support of their schools but have increasing access to the public treasury in many states. Pleased with the economic and other gains that Negroes have made during the present war, shrewd colored leaders nevertheless continue to cry out against the inequalities that remain, in the hope of getting more concessions for their race before the expanding situation begins to contract. With their migration to Northern cities, Negroes have discovered that while "in the South discrimination is more spectacular, in the North it is almost as effective." With their expectations and ambitions fired by progress, but still far short of equality with whites, the critical problem as impatient Negro leaders see it is how to stop white

discrimination against Negroes immediately. Searching frantically for policies and methods without much success, many leaders of the race seem now to pin their hopes upon governmental and legal fiat, with education of the white population as an aid; or upon an experiment with passive resistance of the Gandhi type; or even, as a last measure of desperation, upon demonstrations of open revolt and physical violence.

If legal and political methods should be employed by pro-Negro organizations to win rights for Negroes much faster than the dominant white sentiment of any great section of the country approved, the result would certainly be to arouse the indignation and organized opposition of the whites, and so strengthen rather than weaken the biracial structure of society that already exists. An even stronger reaction on the part of the whites would of course follow any serious resorts to violence by Negroes.

Our whole inquiry has suggested that discrimination against the Negro at present is derived chiefly from the fact that he has always been and still is the member of an easily recognized race of low historical status.¹ What part can education and propaganda, through the schools, moving pictures, etc., play in changing attitudes of this kind? The purpose of any such "education" would be to promote Negro equality. Since public education in the United States is a prerogative of the individual states and communities, this purpose would have to meet with the approval of the local people. Any attempt to spread pro-Negro propaganda in the South would be quickly detected and promptly stopped. It is also unlikely that emotional attitudes can be much affected by the teaching of facts in schools. Nothing more need be said to suggest that educators could do little to redirect racial attitudes in the South, if they should wish to. Altogether, it would seem that public education and propaganda methods in race relations in this country may at the most be used to reinforce changes already occurring in popular opinion, but not radically to alter the sentiment of a section or the nation.

THE PROSPECT

Whether or not the Negro problem in the United States is being, or ever will be, "solved" depends on the meaning of the word. If the test of solution is the decline or disappearance of the consciousness of differences between Negroes and whites, the problem is

¹ MURPHY, MURPHY, and NEWCOMB, *op. cit.*, pp. 240f.

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more acute than it was a generation ago, because as Negroes have made progress they have become more aware of the inequalities that remain. What we have found is that a variety of complex social changes, forces, and pressures has been causing the whites to yield increasing opportunities and "rights" to Negroes. The first and most obvious advances have been in education, the second in the urban professions and industrial employment. General political enfranchisement seems to be just appearing on the horizon. No direct progress toward social equality and intermarriage has been observed. A fact of the greatest significance, however, is that one kind of gain naturally leads to another. Educated Negroes cannot be kept at manual labor or prevented from voting as easily as illiterate Negroes; and white supremacy loses much of its meaning when Negroes are economically as well off as whites. Further progress of the Negro race is to be expected, in spite of any postwar set-backs or critical upsurges of antagonism and race clashes that may occur. The trend would seem to be cumulative. Yet progress is not arrival. The realities that we have examined do not point to the disappearance of racial antipathies in the decades that lie just ahead. They rather suggest a gradual approach toward equality; but so little can be predicted about the long-time prosperity and destiny of American society as a whole that it can not, of course, be said that such an outcome is certain or inevitable.

PART III

International Relations

CHAPTER XII

THE NEW NATIONALISM

HAROLD W. STOKE

The adjustments of both domestic and foreign policy which the United States will have to make in the postwar world will be governed, it seems to me, by the answer to a single question: Is the tide of nationalism still rising? For nationalism is the most powerful political force operative in the world today, more powerful than any other political sentiment—democracy, communism, or even religion—which might serve to temper it. If nationalism is still growing in its hold upon the peoples of the world, much of the speculation and planning for the postwar world is idle. Its shape will have already been determined. The nation-state will have no other gods before it.¹

The forces now shaping the internal as well as the international policies of the major powers are, in my opinion, intensifying the sentiment of nationalism with a consequent entrenchment of the nation-state. If this is true, it is of the utmost importance in the determination of national policies over the next few decades. For it means resolving the pointless debate between isolationists and internationalists. It means the adoption of programs, consciously national, for the conservation of resources, natural and “human.” It means more attention to the military facts of life, to the “power position” of the nation. It means the priority of strength and security over freedom as the ends of national policy. In short, it means the United States should obey rather than resist the compulsions of the age.

Of the forces that are magnifying nationalism there are two that transcend all others in importance. The first of these is the col-

¹ I wish to acknowledge in the preparation of this paper the thoughtful assistance of Currin V. Shields, now in the Army of the United States, formerly an assistant in political science in the University of Wisconsin. I should also add that the discussion is meant to be an analysis of a complicated political milieu, not a justification for suggesting policies. The conclusions reached are by no means those I should personally prefer.

lectivization of the national state. The second is the impact of modern technology upon international relations.

THE COMPULSIONS OF COLLECTIVISM

The collectivized state is one in which all matters that ultimately affect the power of the state become objects of government regulation or control regardless of other effects upon the welfare of the individual citizen. This process, furthest advanced in Russia, Germany, and other totalitarian countries, is rapidly becoming characteristic of all countries and particularly of all the great powers, including the United States. One can describe it as a shift in the center of political gravity from the welfare of the individual to the power of the state as the first care of government.

Collectivization contributes to the intensification of nationalism through its effects upon the internal political organization and activities of the state. This arises directly from the growing dependence of the individual upon collective actions and decisions. As it becomes increasingly impossible for a person to guarantee satisfactory conditions of life for himself through his own efforts, it is only natural that he attaches more importance to the public organization through which they are determined. This organization in our age is the national state. The farmer, for example, now receives directions from the government as to what crops he can plant, what he can do with his land, the prices he may get for crops, feed, and livestock, the rate of interest he must pay, and as to a dozen other crucial operations. The policies of the national government are becoming paramount to individual factors of industry and good management in determining the farmer's personal prosperity and welfare.

This is also true of the businessman and factory worker in the collectivized state. The latter is subject to a series of laws and administrative regulations determining for him what union he shall join, the dues he must pay (or rather that he must pay the dues of the union he is compelled to join), his contributions for unemployment, old age, and health insurance, the hours he can work, the pay he can receive, and even the volume of work he is expected or will be allowed to produce. The affairs of the businessman are correspondingly controlled. Most of the regulations affecting labor or the consumer are in their reverse effects directives to or restraints upon the businessman.

As the national state assumes for its people the role of employer, buyer, seller, educator, guarantor of security, licensor for business, and controller of wages, prices, and production, the political interest of all groups affected by the policies of the national state is immensely stimulated. As a result, the normal business and social relations between citizens are transformed into a form of internal power politics in which conflicts between groups are not governed by the bargaining and compromise of voluntary agreements but by competition for the control of government, since it is through politics that they assure themselves of privileges they possess or seek.

The recent proposals in the United States and Great Britain of "cradle-to-grave" security to be provided by the state climax a long series of steps toward collectivization. The zealous regard of the individual for the national state on which he is completely dependent for his forms of security will thus be immensely intensified. What affects the prosperity of that national state, what affects its strength or threatens its safety or survival, now becomes not merely a matter of patriotism but of concern for personal safety and survival. The result is to heighten the sense of anxiety with which the citizen contemplates the role of his nation in its relations to others, to increase his jealousy and fear of the prosperity and power of other nations, and to add to his willingness to be reduced to the role of a "human resource" for the strength of his state.

This internal transformation in the collectivized state naturally has its international effects. The first of these is the transformation of international relations of every kind—economic, social, and even intellectual—into matters of political significance. We are familiar with this principle in matters concerned with military defense, the integrity of territories, the valuation of currency, the protection under certain circumstances of citizens abroad; but we as yet only dimly appreciate the fact that the internal totalitarian organization of the collectivized state leaves no human activity outside of the realm of state concern and that all human relations and activities consequently become political. As states become collectivized, the only possible international contacts between them or their people are those which the states authorize directly or indirectly. The possibility of contacts between citizens of different states to which their respective states can remain indifferent disappears. The sentiment of nationalism, formerly confined to traditional matters of diplomacy and statecraft, becomes enormously expanded

as it begins to suffuse every relation between states and between the citizens of different states. Where, formerly, comparatively few matters could become sources of international friction, now virtually all contacts between nations or their citizens are potentially so because the state as a whole is actually involved in every such contact.

The controversy between the United States and Russia over the propaganda activity of the Comintern is a familiar illustration. If Russia had not been a totalitarian state, the United States could not logically have held the Russian government responsible for the activities of a few of its citizens. Knowing, however, that what the totalitarian state permits it fosters, the United States was quite right in holding the Russian government responsible. As the freedom permitted individuals comes, in all collectivized states, to be subordinated to state ends, the liberties permitted citizens of one state which are offensive to another automatically become matters of international concern.¹

Although the international implications of collectivization are not yet fully understood, they can perhaps best be seen in the transformation of purely economic into political affairs. I mean by purely economic matters those which are carried on primarily for the purpose of increasing the wealth or well-being of people without regard to other incidental effects. The importation of rubber into the United States is an illustration of the transformation. From a purely economic point of view the wealth of the United States and of the rubber-producing areas of the Pacific was mutually increased by such exchange. The outbreak of war once more has taught us that economic advantages must be subordinated to the political considerations of military strength, safety, or diplomatic interests; and judged by these considerations the arrangement for the importation of rubber was not sound and should never be revived. As Adam Smith remarked, "defense is more important than opulence." Whereas the international relationships permitting exchanges between citizens of the United States and those of the Dutch East Indies produced for the individual citizen of the United States a higher economic well-being than he would otherwise have had, it created *political* weakness growing out of our dependence upon another major power for a commodity essential to the strength of our own nation. From the viewpoint of the state

¹ Suppressions of films that would be distasteful to the governments of other countries are illustrations of the principle.

it may be much better to buy rubber at \$5 per pound from the Amazon Valley as a part of a Good Neighbor program of diplomacy than to have the economic advantage of buying it at 5 cents per pound in the Pacific. In brief, the politics of the collectivized state displace individual or even corporate economic interests as the controlling factor of international trade.

What is true of rubber is merely spectacular; it is not unique. In fact, as the collectivization of the state progresses, everything is measured by the same yardstick of national strength. Let one try to think of an item from books to battleships to which the totalitarian state can afford to be indifferent. All phases of international trade and relations, every export and import must be scanned to determine, not whether they will make the individual citizens happier or better off, but whether they contribute to the national strength. This is the consideration which controls the management of currency internationally. Quotas, embargoes, tariffs, subsidies are techniques of international management once used in advancing the economic well-being of citizens of states but now utilized primarily for political, *i.e.*, diplomatic and military purposes. The operations of the Export-Import Bank and of Lend-Lease agreements are obvious illustrations of such practices by the United States.

This use of trade for political ends has mistakenly been described as characteristic of the Nazi state alone.¹ It is rather an inherent characteristic of any collectivized state. The fact that the activities of the citizens must harmonize with the avowed policies of the government makes it inevitably so. Whereas in any given state there may be differences in judgment on the part of those in power as to what will contribute most immediately or effectively to the political ends of the state, the principle of devotion to military strength remains the same, and the differences among states are merely those of application.

The operation of the reciprocal trade agreements negotiated by the Roosevelt administration after 1933 will further illustrate the transformation of international economic into political instrumentalities. Negotiated ostensibly to spur international trade, the treaties lent themselves admirably to diplomatic uses quite often indeed at variance with the economic activities they were meant to

¹ This view is maintained as a thesis in a large number of books and articles, one of the most widely known of which is by Douglas Miller, *You Can't Do Business with Hitler*.

stimulate. No agreement, for example, was made with any country, regardless of its commercial importance, to whose policies the government of the United States was seriously opposed. The notable examples, of course, are Italy, Germany, and Japan, but it was made abundantly clear in other quarters also, particularly in South America, that political congeniality was an important prerequisite to satisfactory commercial relations. In the Far East our economic power was likewise used as a political weapon. Our loans to China and our trade restrictions against Japan were clear subordinations of economic interests to diplomacy.¹ The Hull agreements, begun as "liberal" trade policies, were absorbed as a part of the political arsenal of the United States.²

The international relations of the collectivized state thus become enormous political monopolies which include not only traditionally diplomatic relations but all other relations as well. The distinction between public and private, between economic, social, and intellectual matters on the one hand, and political on the other, disappears, for the collectivized state transforms into politics everything it touches. In a world of collectivized states, relations between citizens are not possible; internationally only states, not people, can exist. The spirit of nationalism, inseparable from the state, suffuses each new area of human activity which the state absorbs.

THE COMPULSIONS OF MODERN TECHNOLOGY

The second of the great forces intensifying the sentiment of nationalism is modern technological development. Such a statement requires explanation, for modern technology by shrinking the globe in terms of time and space, speed of communication, and stimulation of productivity, is the first reliance of the "internationalist" in proving that the peoples of the world are being brought physically and spiritually closer together.³

¹ It is difficult to see how the United States could possibly preserve "liberal," i.e., private, trade activities in a world where the foreign trade of other nations is or will be strictly controlled. That question is of little importance, however, for the United States is not likely to attempt to maintain policies giving citizens freedom to carry on international trade which it finds incompatible with its rapidly changing internal economy or its diplomatic views.

² DIEBOLD, WILLIAM: *New Directions in Our Foreign Policy*, Chaps. V, VI, New York, 1941.

³ I would not deny that, in the long run, the effects of technology may operate to "bring the peoples of the world closer together." If so, it seems to me it would come about through the breakdown of national states as inadequate

The assumptions that the "shrinking" world brings greater tolerance and understanding between peoples of different nations and that technological developments make nations more dependent upon each other are dubious. The evidence used to support this view is misleading. Actually, together with other political and economic factors, the effect of technological developments is to increase the fears, hatreds, and suspicions of nations and to make them less rather than more dependent upon each other.

The belief that technology is an aid to international peace assumes that knowledge or acquaintance brings "friendship" between nations when it may just as easily bring the opposite. Friendship between nations is not similar to that between individuals. The fact is that one's liking for another nation is conditioned almost entirely by that nation's political relations to one's own. If these relations are tolerable and noncompetitive, it is likely that one nation will look on the other with indifference, as has been true generally of the feeling of the United States toward Latin-America, or with "friendliness," as has been characteristic of our attitude toward China. National friendliness or unfriendliness is little affected by knowledge. It is quite likely that there is no nation in Europe, with which we are comparatively well acquainted, toward which our feelings are as friendly as they are toward China, a country about which we actually know and understand very little.¹

That friendliness between nations is only slightly affected by knowledge or tradition and primarily by their political relationships is illustrated in the relations of the United States to Finland. As a result of our earlier political experiences with Finland (chiefly those concerning the payment of war debts), the attitude of the United States toward Finland was most cordial. When Russia attacked Finland our feelings were outraged. When, however, Germany declared war upon Russia, Finland became, by no act of her own,

means for managing the economic and social results of such technology. This would be a quite different course of development from that which would bring the nations of the world closer together. Ultimately the peoples of the world may be brought "closer together" but not as citizens of national states. As long as technological development must be subjected to the use and control of national states, it is suggested that the results lead to fear and hatred rather than friendship between peoples.

¹ SPYKMAN, NICHOLAS J.: *America's Strategy in World Politics*, pp. 255-256, New York, 1942.

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an ally of Germany and the object of a complete change of attitude on the part of the United States.

In all these relations between nations propaganda is now a special factor, but a factor always governed by political considerations of national interest. The role of propaganda is merely to hasten the operation of political processes; it does not change their character or purpose. The lightning changes in attitude on the part of Germany and Russia toward other countries which used to amaze the peoples of the "democratic" countries now seem less incomprehensible to us as it becomes clearer that all relations between collectivized states or their peoples are political matters that must serve the immediate requirements of the state.

Nor has modern technology made nations more dependent upon each other. In fact, the opposite is true. Science through the synthesis of materials has placed in the hands of each nation the means of becoming less rather than more dependent upon others. The facts are self-evident. The production in significant amounts of rubber from grain, oil from coal, nitrates from the air, magnesium from sea water, synthetic foods and plastics, all create national independence by making imports of natural products unnecessary. With the still vaster developments in *substitution* as against production in the fields of metals, foods, chemicals, building materials, the effect is still clearer. The operation of this fact, of course, has its limitations, but it is amazing how great the power of a nation devoting its scientific and technical prowess to that end can become even when developed in virtual isolation. Germany is the prime example.¹

The achievement of such self-sufficiency is more expensive and results ultimately in a lower standard of living than could be achieved by international exchange but, if such a policy contributes to the power and political independence of the nation, it is a net gain when measured in terms of national satisfaction.

Probably the greatest influence of modern technology upon the intensification of nationalism arises from its psychological effects in military affairs. This springs from a growing appreciation of the power to destroy which modern technology creates. The annihilation of distance and time and the multiplication of the destructive

¹ The accumulation of stock piles of materials not available through either production or substitution is now a part of the planning of every nation. The governing consideration in virtually all these activities, so far as the state is concerned, is the ultimate effect upon the military strength of the country.

power of men with machines has intensified reactions of hate, dread, and fear. As the bombing radius of the airplane grows, it creates a corresponding radius of anxiety and suspicion. The proximity of powerful nations with awful devices of destruction intensifies fear. No nation can look with complacency upon a neighbor that possesses the means, within a few miles of its borders, of reducing a city to rubble within a half hour.

European peoples have long been more self-conscious about the importance of proximity than have the people of the United States. The success of Germany in the current war in perfecting means of attack in secret and of striking in surprise has added permanently to the uneasiness of nations and will make technological advance in any of them objects of fear in all others.

In the United States these effects of technology are comparatively new. They have now begun, however, to become a part of our national thinking and to affect national policy. As our confidence in the oceans as defense bulwarks grows less (a result of technological changes), there is a natural growth of anxiety as to our vulnerability to air, naval, or other attack. For example, the discovery by the map makers that Detroit is more vulnerable to attack than is New York, by any air power that chose the Arctic air route, has disturbed us. It disrupts American ideas of security. We are suddenly interested in the location and in the potential power of whatever countries may be capable of taking advantage of these possibilities. That interest takes the forms of a new distribution of defense internally and the acquisition of distant and outlying air and sea bases. In brief, the discovery on the part of the United States that the shrinkage of the globe has brought it physically closer to nations whose technological power to injure it steadily grows has increased rather than decreased our attitude of suspicion toward the activities of other nations and, consequently, our interest in armament.

The "secret weapon" is an interesting example of the psychological effect of technology in intensifying sentiments of nationalism. With the cult of science virtually a modern form of superstition, the rumor that a new and particularly deadly weapon has been developed in the laboratories of any nation is sufficient to send a chill through the rest of the world. The propaganda value of this fact is currently exploited by all belligerents. Germany's early successes were in part traceable to the psychological as well as the military value of the possession of secret weapons.

This effect of technology is more than a form of bedtime story for children in a machine age. It is a grim political fact of the utmost importance upon the relations of nations. In a collectivized state, moreover, the mobilization of every chemical, physical, and biological laboratory in time of war is an indispensable part of the search for a national advantage. Yet, although intensified by war, such mobilization is no longer confined to war.¹ Each nation knows that the first to break the atom as a source of energy or to discover an explosive more powerful than the defenses that have been prepared against it has a distinct advantage in the struggle for power. It is interesting to see with what reluctance, even between allies such as Russia, Great Britain, and the United States, knowledge of technological advances is shared. The shrouds of secrecy and censorship, prohibitions against inspection, embargoes upon the export of technical and scientific knowledge, insistence that all patents first be subject to government use, are techniques for guaranteeing that technological advances be reserved for the exclusive use of the state in which they originate. These techniques are relatively new to the United States, but so is the sense of their importance and necessity, a sense that modern technology has recently created for us as a nation.

There is more than coincidence in the fact that during the past 25 years, a quarter century of unprecedented scientific development, the basis for international organization and political unity among the nations has steadily deteriorated. Our admiration for technological accomplishments has concealed from us some of their political effects. Our misinterpretation of these political effects is a natural result of our distaste for the unpleasant, but it should not blind us to the fact that every species of fear, suspicion, hate, and national exclusiveness has grown luxuriantly during a period of the greatest technological advances. One can find a relationship between almost any political attitude or activity in any country and some technological development that affects its national economy or military security.

¹ The Kilgore Bill (S.702) now pending is an interesting expression of this intellectual development. Among its stated purposes is: "(1) To appraise the current use of scientific and technical knowledge, facilities and personnel, and to develop comprehensive national programs for maximum use of science and technology in the national interest in peace and war." The provisions of the bill are sufficiently broad to permit the appropriation by the government of all scientific and technological resources in the national interest.

NATIONAL INTEREST IN PEACE AND POWER

Assuming that the forces of collectivization and technology are really the dominant forces shaping governmental policies today and that the facts presented illustrate correctly the operation of those forces, we are compelled to face squarely the question: What are the prospects for international peace and cooperation through the instrumentality of the national state?

Stated bluntly the answer is None, for nationalism and "internationalism" are incompatible. An "international community" in terms of a union of national states is impossible. This follows from the fact that the national state is organized on the principle of *exclusiveness*. It exists for the promotion of the prosperity, welfare, and safety of its own people as *distinguished from all others*. This is a stubborn fact of politics which reappears in every crisis. It is often obscured by what appear to be forms of international cooperation but which prove, on examination, to be instances only of a coincidence of national interests. The examples of so-called "international cooperation," the international copyright convention, international weights and measures, postal unions, etc., are illustrations of such coincidence. Indeed the interests of particular states may coincide for a considerable period as they face common enemies or engage in trade, but the coincidence is merely incidental to the unalloyed pursuit of the national interest of each. When national interests diverge under the compulsions of technological and diplomatic changes, each national government promotes the immediate interests of its own people regardless of the effect upon others. The process is complicated to be sure by tradition, the ambitions, likes and dislikes of leaders, long- and short-term considerations, but the stubborn fact persists that, in the long run, a given state exists for the promotion of the interests of its population as that population can be differentiated from the peoples of other states.

But, it may be argued, the greatest interest of any people is "peace," hence the first object of any state must be the maintenance of peace. This idea is based upon the assumption that the nations of the world are genuinely interested in peace above everything else and have an equal stake in its preservation. Obviously this is not the case. Great Britain, the United States, and Russia are certainly not interested in peace if peace means the domination of Europe by Germany or the Far East by Japan. Peace based on

the reverse situation is equally distasteful to Germany and Japan. There is by no means a universal interest among the nations in "peace." The maintenance of peace or the waging of war in our age is merely the most appropriate means by which a state promotes the national interest. If this national interest is identified with the *status quo*, the diplomacy of the nation is directed toward the maintenance of peace; if it is dissatisfied with the *status quo*, its diplomacy is directed toward changing the *status quo*, peacefully, if possible; by war, if necessary. There is no evidence that any nation is interested in peace per se unless such a condition coincides with other aspects of national policy. This fact is obscured because it is greatly to the interest of some nations to maintain the "peace," i.e., the *status quo*, and these are looked upon as "peaceful nations." It is just as much in the interest of some other nations to disturb the "peace," again the *status quo*, and these are regarded as warlike nations. The fact is that the devotion of either group to war or peace is governed by whether the national interest is served better by the one or by the other.¹

The assumption that there is a harmony of interests among the nations of the world which can be given organized expression in an international "community" is, to say the least, misleading. It would be strange indeed if the United States in monetizing silver would adopt a policy as careful of its effects upon the people of Mexico as on its own, or if the British in Burma were to be as concerned with the progress and feelings of the Burmese as with their own. A little reflection will show how little resemblance to the national state there would be in any organization that sought to operate on the principle that the peoples of the world had *common* interests. The national state will never be able to submit whatever it currently regards as its "honor, dignity, and vital interests" (a constantly changing concept) to any other arbiter than itself. The state cannot commit suicide.²

¹ Although the United States is regarded as a "peaceful" nation, surely all would agree that it would have instantly lost its interest in "peace" at any time any nation had sought to seize Mexico. Would it have made any difference to its interest in "peace" if the disturbance to the *status quo* had come from, say, Great Britain rather than Japan?

² The belief that the states of the world have a "harmony of interest" that can be organized into "collective security" is peculiarly American. It is odd that when this *laissez-faire* doctrine is being abandoned as unworkable *within* the nation, it should receive increasing devotion as a formula for international organization. There is a good discussion of this point in E. H. Carr, *Twenty Years Crisis, 1919-1939*, pp. 67-69, New York and London, 1940.

For the real objective of the national state is not peace but power, since all the purposes served require it. Hence the policies of the state must be so shaped as to create for itself maximum military strength. I say military strength because that is the ultimate test of the power of any state.

There are undoubtedly factors both within and between nations that may serve to modify the bleakness of this outlook on international affairs. Among them is the continued agitation of internationalists whose faith in international leagues and "law" as means of achieving peace among nations is still strong. There is also a war weariness among people which will momentarily sober their pursuit of policies that commit them to such fateful results. Collectivization likewise proceeds at varying rates and may slow up temporarily after the pressures of war are relaxed. These and other factors may intervene to arrest the operation of basic forces but only as ice may temporarily stop the flow of a river.

THE NEW NATIONALISM AND PUBLIC POLICY

In my opinion, therefore, the policy makers of America, if they wish to protect the national interests in the postwar years, have no choice but to follow a program of conservation and increase of the national strength. This need not mean chauvinism or even undue militarism, but it does mean the development of an awareness of what constitutes the strength of a nation and a conscious acceptance of policies that promote and an equally conscious avoidance of policies that impair it.¹

No one can with confidence predict a definite alignment among the Great Powers at the close of the present war. Certainly no plan of settlement involving Germany can be equally satisfactory to Russia, to Great Britain, and to the United States—a fact that Hitler knows and will continue to exploit. At any rate, neither the United States nor Great Britain can look with complacency upon a

¹ Some years ago I was disturbed by a statement by Thomas Nixon Carver, *Essays in Social Justice*, p. 9, New York, 1915, "In the most general terms, therefore, justice may be defined as such an adjustment of the conflicting interests of the citizens of a nation as will interfere least with and contribute most to the strength of the nation." I am a little dismayed to find myself now advocating substantially the same point of view. However, I do not, as does Mr. Carver, identify strength and justice. I am advocating national strength as a practical goal of value (though less desirable than justice) because the instruments of government with which men are now equipped are not those by which justice can be realized.

military center of gravity in Europe any further east than the Russians have already established it. Nor does anyone know the future roles of the secondary powers of Europe—Spain, Italy, and France—in the future diplomatic tugs of war. When the disposition of North Africa and the settlement of the Far East are also thrown into the discussion, it becomes perfectly clear that there is no coincidence of national interests sufficient to create an international *modus vivendi* or to permit the relaxation of economic and military armament on the part of the Great Powers.

How should this state of fact govern for the United States the formation of national policy in the crucial areas of its military equipment, of its management of its resources, and of its international commitments?

First of all, it should mean that the American people will give more attention to matters directly connected with military power than they have ever done before. Naval strength will be immense, the air force incredible; both greatly superior to the forces that could be mustered by any other nation. But the great danger to America is that as we did after the last war, we shall regard this great force as *ad hoc*, something to be dispensed with after this particular war has been fought.

This would be a mistake. The American people must realize that the technological and political changes of the past few decades impose upon them a much larger military establishment than they have been accustomed to supporting. This establishment must not be merely in terms of mechanical equipment, but of personnel, of military intelligence services, and, above all, of military respectability and morale. These latter elements will be harder than the former to create in America, for we have been a nation of peace and what is here suggested presumes the intellectual maturity to accept war as a part of a continuing national burden, to be carried constantly rather than intermittently.

Specifically, this means a system of compulsory military training carefully worked out to supply the needs of the armed services, to utilize profitably the time of those in training, and to be related as well as may be to other phases of our educational system. It means that our armed services shall themselves be more nearly prepared for war technically and psychologically than they have in time of peace felt necessary. This readiness must manifest itself in intelligence and staff work and appreciation by the military of civilian operations and organization. There must be no more

utterly inadequate M-day plans. To ensure these values the people of the United States must themselves accept military services as useful and respectable activities. We are very likely to obtain some of our best administrative and political leadership during the next generation from men with a decided flavor of military experience in their training. The tendency to look down upon the Army and Navy, to regard every dollar of military expenditure as waste, must be reversed. The American people must provide opportunity for the military to achieve professional respectability; if they do so, it will then be up to the military services to prove that they deserve it.

The second crucial field of national policy is the management of national resources. Oddly enough, we have learned to think a little in such terms domestically, but we have not done so internationally.¹ Americans are inclined to think of natural resources in terms of money, not utility. This is natural enough in view of our economic history and of the volume of our resources. Applied internationally, such a conception is disastrous for it means that a nation expends its irreplaceable resources for gold and trade balances of doubtful value. This we did during the First World War and in the decade following. During that period we transferred billions in American goods to other nations in return for debts long since proved uncollectable, our own tariff policies preventing our receiving in exchange goods of equal utility to recompense us for the loss of national resources. To a lesser degree the policy continued during the thirties but reached unprecedented heights with the inauguration of Lend-Lease and our entry into the present world war. It may sound absurd to say so, but sober reflection will demonstrate that, at the present time, *in those elements which create national military strength, the United States is being destroyed at a more rapid rate than any other belligerent.* The bombed cities of Britain and Germany and the devastation and great loss of life in Russia, distressing as they are, do not leave a nation as permanently enervated as does the wholesale transfer and expenditure of irreplaceable fertility, oil, iron, coal, copper, and forests as in the case of the United States.

¹ An exception to this generalization is a book by George N. Peek and Samuel Crowther, *Why Quit Our Own*, New York, 1936. This book made irrelevant much of the traditional argument about low and high tariffs by pointing out that the important element of national policy was not a question of trade balances but the conservation of natural resources.

It is not enough that the United States has technical skill to provide substitutes for expended resources. To the extent that this can be done, the expenditure will not prove fatal, although it will prove expensive and will inevitably reflect itself in lowered standards of living. Actually, the remedy is less likely to be that of technological substitution than a form of imperialism which sees to it that America gets her share of the as yet unexploited resources of the earth—South America, the Far East, the Near East, and even Africa. The important matter is the supply of crucial material for military needs. This may require only the accumulation of stock piles. It may require the subsidized production of synthesized materials. Whatever the means are to be, to have pointed out the effects upon our resources of the international policy we have thus far pursued is enough to warn our future policy makers of steps that must be taken if our national strength is to be conserved.

There remains the third crucial field of national policy, our international relations. At the moment it is not yet clear to the peoples of the Great Powers that there is neither a psychological nor a political basis for what is commonly called an international or world "community." That fact is unwittingly admitted by all those who talk of the necessity for "reeducating" the peoples of the enemy countries, forgetting that there is as great a political diversity among those who oppose the Axis powers as there is between the Axis and the Allies. It will become clear, as the close of the war draws nearer and "internationalists" become less vocal, as they face the bewildering fact that what they have been talking about does not exist in their own or in the minds of the people of other countries. In this age we, and the people of all other nation-states, are nationalists, committed before everything else to the safety and prosperity of our own country, and then, if not a danger to us, to the safety and prosperity of others. The logic of the system is inexorable. It creates a world of isolated nations in whose relations with one another is reflected a conception by each of its national interests insofar as each is free to realize them.

For the United States this fact wipes out any important distinction between isolationists and internationalists, since the new nationalism makes it clear that the ultimate goal of both is the same, the promotion of the nation's interests. The internationalist, when pressed, will admit that he believes in his view only to the extent that it serves the nation's interest; similarly, the isolationist.

Both are nationalists. They differ over means, not ends. If the one believes in leagues, international police forces, and alliances, and the other does not, it is because they differ as to the utility of these devices as means of serving the same ends. It does not mean, as is so often implied; that one believes in "peace" and the other does not, or that one is a humanitarian and the other is not. The internationalist, on the one hand, often forgets that nations in leagues are still nations, seeking the greatest safety and prosperity for their own peoples. The isolationist, on the other hand, forgets that isolationism is itself a definite foreign policy and that nations politically separated have the same problems in pursuing their interests as do nations politically united. The new nationalism provides the means of resolving their political differences. Isolationists are interested in isolation and internationalists are interested in internationalism to the extent, but only to the extent, that their respective views serve the national interest.

Nationalists or internationalists, the same specific problems of national policy arise to plague us. Shall the United States allow the export of machinery to reconstructed Germany? Shall we insist that the United States be given access to oil concessions in Arabia to replace our declining resources? Shall we train Japanese engineers in our schools? Shall we abandon our efforts to squeeze out economic and political competitors in South America? Shall we insist on African air bases under American control? Shall we permit unrestricted migration of Chinese or Japanese to the United States? Shall we disband our merchant marine and reassume our dependency upon the carrier nations of the world? These are questions that will be decided by "national interest." The character of the decisions will be affected only slightly by whether those in power call themselves internationalists or nationalists. The same compulsions will apply to both. Our hope must be that our policy makers will leave us sufficiently free of commitments that we may throw our weight with or against another nation or combination of nations as quickly as our peace, safety, and prosperity may require.¹

¹ Of the vast and expanding volume of writing in this field I should like to mention three books that have proved especially helpful: LIPPmann, WALTER: *The Good Society*, New York, 1937. MACKINDER, SIR HALFORD J.: *Democratic Ideals and Reality*, 2d issue, New York, 1942. CARR, *op. cit.*

CHAPTER XIII

THE LEAGUE, A LEAGUE, OR WHAT?

PITMAN B. POTTER

One of the most striking features of five years of discussion¹ of postwar problems is the relative neglect of the problem of facilities for treatment of international difficulties in general or the problem of a general world, or international, organization. All kinds of special problems—relief, revival of industry and trade, international finance, migration, the punishment of war criminals, social security, peace, freedom, and what not—have been discussed,² but the question of what kind of continuing general international organization we are to have has been greatly neglected except by the utopians.³ This feature of the situation developed clearly in the autumn and winter of 1939–1940 and has persisted in a remarkably constant way down to the present moment.

In one sense this is a good thing. In 1914–1918 most of the individuals and groups who discussed postwar questions also suggested single special remedies for international problem and presented these remedies as cures for international troubles in general which would do the trick and solve everything at one single blow.⁴ Today the weakness of such an approach is better appreciated, as a result of much experience and reflection during the past 25 years,

¹ For a similar discussion during the First World War see R. S. Bourne, *Towards an Enduring Peace*, New York, 1916. The present chapter was written prior to more recent developments in this field but its conclusions have not been invalidated thereby.

² For an example, see the excellent work of the Commission to Study the Organization of Peace, in *International Conciliation*, Nos. 369, 379, 389; for a wider picture, see *Postwar Planning in the United States*, New York (Twentieth Century Fund), 1943.

³ The term “utopian” is used here without any disparagement and merely to designate a type of program, namely, a program consisting rather of imagined concepts or proposals than of historical elements; representatives are E. Culbertson, *World Federation Plan*, New York, 1943; O. Newfand, *World Government*, New York, 1942; C. Streit, *Union Now*, New York, 1938.

⁴ See items in Bourne, *op. cit.* pp. 76, 174, 277, etc.

and few such panaceas are now proposed. It is realized that broader and deeper treatment of international questions than this is needed. At the same time the difficulty of the general problem, as revealed by the experience of 1920–1939, restrains students from attempting to solve the problem in the large and leads them to take refuge in details. The problem of general international organizations seems too formidable, and the reformers confine themselves to special issues.

On the other hand, this peculiar orientation has the unfortunate effect, apart from the neglect of the general problem of world organization, of leading students of special questions to try to discover final solutions for these questions once and for all. This resembles the style or method of 1914–1918 somewhat and is far weaker as a technique than confining oneself to laying down the general principles governing a subject and remitting their elaboration and application to a continuing organization.¹ It seems that it would take little to alter this attitude and bring about a substitution of the desirable procedure. This, however, would require precisely a satisfactory solution, or at least the assumption that such a solution is obtainable, of the general problem under consideration in these pages.

At the same time there is observable today a striking failure to deal with the question of the future use, if any, to be made of the League of Nations. It does not seem to be too much to say that there is in evidence an embarrassed reluctance to mention the matter or to try to reach any sound solution on the point. Juridically and actually the League still exists,² and in common logic and self-respect, not to mention dignified treatment of a public institution which did not create itself or foist itself upon humanity but which was called into being by the states themselves, one could ask for something better than this childish behavior. The current attitude, especially in the United States, is strongly reminiscent of the most puerile performances of the Harding-Hughes regime. Now, as then, however, it is both the friends and the foes of the League who are guilty of this disingenuous reticence. That the ultimate explanation lies in the mentality of the professional politicians and

¹ For an example of the better type of treatment see J. B. Condliffe, *Agenda for a Post-war World*, New York, 1942, especially pp. 5 and 223; P. E. Corbett, *Post-war Worlds*, pp. 164–169, New York, 1942.

² See *Report on the Work of the League, 1942–1943*, submitted by the Acting Secretary General; League document C. 25. M. 25. 1943.

their fearful followers explains, although it does not excuse, such an attitude. If the League was and is bad, let it be so judged and abolished; if good or halfway good, let it be so judged, maintained, reformed, and utilized; but in any case let us get the matter out on the table and see how things really stand. This also is a part of our major problem, however, and must be reserved for final treatment until later.

We should attempt to clear up the matter in terms of general principles first. One might safely start with the hypothesis that some world-wide international organization will be necessary at the end of the present war. This proposition involves, among other things, the consideration of the alternative to such a suggestion, the grounds for the conclusion indicated, and the question of the proper jurisdiction of such an organization, in terms of both regional and substantive elements.

The alternative to the establishment or reestablishment of something like the League of Nations might be a return to the international situation as it existed prior to 1920. Careless writers discussing this matter talk as if this would mean a return to complete international anarchy. Such is not, of course, the case, for an elaborate system of international organization had been built up over the years and still existed at that time.¹ It was deficient only in that one element which subsequent wise men and subsequent reformers have not succeeded in providing to this day, namely an organized system of enforcement, and it even possessed this element in a certain limited degree. Nevertheless we may take this picture as representing one extreme program in this respect possible for the postwar period.

Certain students of the matter—or at least certain commentators upon the problem—cite the League experience as confirming the necessity for a return to the older simplicities. This attitude, not necessarily isolationist in character—for some of those, at least, who take it profess to hope for cordial international cooperation and to desire only to avoid undue rigidity and advance commitments—has more than touched, seemingly, some of our leaders in very high places today. It is generally evident, they argue, that nations and people cannot understand and appreciate one another sufficiently to work together, not to mention the diplomats and governments who are the worst of all in this respect. The League experience

¹ POTTER, P. B.: *Introduction to the Study of International Organization*, 4th ed., Parts I-IV, New York, 1935.

proves only too clearly that this is true; its complete failure, especially on the political side of its tasks, shows that its creation was a great mistake. Let us by all means, so it is argued, not have any more of that nonsense; any building up of exaggerated hopes, to be followed by inevitable disillusionment, is the one thing to be avoided at all costs.¹

There does not seem to be a chance in the world (the figure seems particularly appropriate here) that the states would be willing, after the present war, to abandon the numerous international institutions—apart from the League of Nations, for the moment—created not only prior to 1939 but long prior to 1919, and to return to the really serious degree of international anarchy existing a century ago. Wartime events and conditions have interrupted the functioning of the organizations in question somewhat—though far from completely; it is, however, generally felt that they must be revived and even extended after the war. Even if the cynics should scoff at the limited powers of such institutions, if the politician exploiters of nationalist sentiments should oppose, and if the public should be hostile or indifferent, the national administrative authorities in the fields of health and economics and communications and even foreign relations appreciate the value of their services too highly to take any other position. In the international world of today there is too much to be done to get along without organization. The same situation existed in 1919 and the attitude of national administrations was clear and emphatic and went far to nullify nationalist political opposition;² the same development may be expected now. For this reason alone the simple, not to say naïve, reactionary position mentioned is unlikely of acceptance.

Objections might be raised at this point based upon certain differences, as to subject matter treated, between the international unions set up prior to 1919 and the League, and upon the fact that its founders saw fit to confer upon the League the power to deal with both political and nonpolitical subjects at the same time. It is, of course, true that most of the earlier unions of nations dealt each with one topic, such as the navigation of a certain river, health problems or even health problems in one locality, postal communications, and so on. It is also true that most of these unions had little or nothing to do with strictly “political” problems or prob-

¹ RANSHOFEN-WERTHEIMER, E.: *Victory Is Not Enough*, pp. 58–60, New York, 1942.

² See Treaty of Versailles, Arts. 282–286, for the results.

lems where great choices of value or policy were left unresolved. Finally, it is true that difficulties arising in League action in the political sphere impaired the success of the work of that organization in the nonpolitical sphere. But several features must be noted on the other side of the situation. Thus, although there were many unions of states which dealt with single matters exclusively, the handicap involved in this form of organization was clearly felt and likewise the need for greater consolidation or general jurisdiction.¹ Some of the earlier unions, such as the Pan American Union, did, moreover, have very broad fields of activity, disregarding for a moment the purely geographical aspect of the question. The distinction between political and nonpolitical questions has always been rather undependable, because even health questions can raise burning political issues, as can economic questions, transportation problems, and so on.² Apart from this, it is also a fact that, parallel to the administrative bodies mentioned, a whole congeries of conferences, courts, and commissions were dealing with international political problems alongside of the nonpolitical unions. Finally, it is both unescapable that we should provide for international cooperation in the two spheres and at least hypothetically possible to organize such activity so as to reduce the effects of political difficulties on work in nonpolitical subjects to a minimum.

The reactionary position is not, however, unworthy of notice, nor the reply to it just mentioned. For we seem to be very close to the point where persisting in the effort at international organization, or organized international cooperation, will very soon commit us to that enterprise definitively. It will mean that the profound experiences of the past fifty years, experiences that have been profound both for encouragement and also for discouragement, have left us with the conclusion that we are on the right path, that the mistakes made are not irremediable, and that we want to go forward rather than back. If, however, we do want to abandon all this sort of thing, now is the time to do it, before we are committed any further.

Another consideration to be borne in mind lies in the fact—that there need be no hesitation in describing it as a fact—that the League experiment (the League was an experiment in the sense that all life

¹ HILL, N. L.: *International Administration*, pp. 218-220, New York, 1931.

² POTTER, P. B.: Note on the Distinction between Political and Technical Questions, *Political Science Quarterly*, vol. 50, No. 2, p. 264, June, 1935.

is an experiment) was far from a complete failure.¹ Apart from the responsibility of the member states and governments, rather than the permanent League organs, for the partial failure of the system—a point that must always be emphasized in spite of its being very familiar by now—and apart from the fact that the cause of League weakness was not excessive responsibility and rigidity, as certain of its critics seem inclined today to contend,² the fact remains that in its activities in one whole field the League was predominantly successful. The distinction between "political" and "nonpolitical" matters is, as we have just seen, to the last degree treacherous if not unreliable, but insofar as one can distinguish these matters at all the success of the League in the second field was very great.³ And if the distinction is unreliable, then League success fell largely in the political as well as in the nonpolitical field!

The reference to the distinction between political and nonpolitical issues requires one further word at this point. Should the postwar international organization not be confined to the latter type of question? Did the League failure not flow from the attempt to deal with both types of problem, or with the political aspect of things along with the nonpolitical, and both in the same system?⁴ Again waiving the tenuous character of the distinction in question, certain simple inferences seem unescapable. It is impossible to neglect political issues entirely. Success or failure in this field must influence the degree of success or failure attained in the other field, and this even if the two be kept more or less distinct in practice. If, moreover, the failures of the League were encountered predominantly in the political sphere, it must be obvious that it is this sphere which above all calls for attention at this juncture. Finally, if we recall the intermixture of political and technical elements in any given subject (armaments, health), the implication of the situation becomes all the clearer.

Before attempting to draw final conclusions concerning the desirability of international organization in principle, however, a word must be said concerning the competition, today rather acute,

¹ For a general assessment of League success see *World Organization: A Balance Sheet of the First Great Experiment*, Washington (Institute on World Organization), 1942.

² See below, pp. 302-303.

³ See statement by Secretary of State Hull on Feb. 2, 1939.

⁴ ZIMMERN, A.: *The League of Nations and the Rule of Law, 1918-1935*, p. 470, etc., London, 1936.

between the universal, or world-wide, and the regional conception and program of international organization. It will be impossible to deal exhaustively with the matter here, but it is imperative that we give it as much attention as possible.¹

The regionalist doctrine is a development, usually unconscious, of the anarchist or isolationist doctrine already cited.² It is impossible—so runs the doctrine—to hope for international understanding or to organize effective international cooperation on a world basis; therefore let us confine ourselves to a local or regional organization of this activity. The League of Nations failed, according to this view, because it tried to operate on too wide a scale. Nations are neither interested in distant regions nor are they capable of understanding distant peoples nor of acting effectively at great distances from their own home bases. The regionalist does not always work out the implications of his attitude fully, but this is the essence of his thesis. To be honest, it must also be admitted that the regionalists in general are today willing to admit that regional international organizations must be coordinated under a world-wide organization, although they are not very full or precise about the nature or degree of this coordination.

There is certainly something, and perhaps a good deal, to be said for the essential principle of regionalism. Propinquity does count for more than a little in international, as in all human, relations. Certain questions—the navigation of the Caspian Sea—seem to be of interest exclusively or predominantly to two countries and to no others. The number of international organizations of regional character set up in the past—Pan American Union, Balkan Entente, Latin Monetary Union—testify to the reality of this element very clearly. Persuading or leading people to take an interest—or, better, to perceive how their interests are involved—in distant regions and distant happenings is indeed difficult. Finally, co-ordinating regional organizations under a general world-wide organization should indeed go some distance to correct the potential evils of regionalism.

A subdivision of the regionalist doctrine is to be found in something that we may call the sectarian idea of international organi-

¹ No adequate general study of the problem of regionalism has yet been published; see article by present writer in *American Political Science Review*, vol. 27, No. 5, p. 850, October, 1943.

² See the presentation of the regional idea in Ranshofen-Wertheimer, as cited, pp. 185, 283, etc. Wertheimer would be the last to admit being an isolationist.

zation. Certain persons would confine any postwar international organization to the "democratic" states, or to the victors in the war, or perhaps to socialist or communist states. Such sectarianism seems very objectionable and even impractical. By any logical tests the application of the standard of "liberal democracy" would exclude Russia and several other members of the United Nations group. Other states now neutral ought not to be excluded in advance or on principle. History has shown the possibility of cooperation among states of diverse social and legal forms. Democratic states are not invariably most loyal to international cooperation, autocratic states not invariably disloyal.¹ A reasonable amount of flexibility on the question of national social and political systems, coupled with adamant insistence upon the obligations of organized international cooperation, seems to be the sound solution.

It is necessary to pass on, however, from this brief notice of the problem of regionalism. Let us draw the conclusions, tentatively, that we are to have some international organization at the end of the present war, that it is not to be exclusively concerned with non-political matters, nor exclusively regional in character. In other words, we are to have a world-wide international organization of general jurisdiction, whether we have any regional organizations coordinated under it or not, and however we try to organize the treatment of political and nonpolitical questions with a view to minimizing the effects upon action in the second field of the greater difficulty of action in the first. We are then confronted with the question mentioned earlier, the question, namely, whether an attempt should be made to utilize the League of Nations as the basis for such a system or to turn to something new, and if so, to what?

The first consideration of importance here—one by no means final in its implications but of basic significance nonetheless—lies in the general structure and general powers and procedure of the League. Was the League in these respects substantially what any international organization, whether world-wide or regional in character, general or special in its jurisdiction as to subject matter, should be—or for that matter any political or interstate organization? Or did it diverge from that ideal pattern so widely that it could not be commended on this score?

¹ See a first effort to study this problem in J. T. Watkins IV, Democracy and International Organization, *American Political Science Review*, vol. 36, No. 6, p. 1136, December, 1942.

The answer seems to be overwhelmingly in the affirmative—to the effect, that is, that the League was built on sound lines and operated on sound principles in the main. Numerous detailed discrepancies of both organization and function must be noted, but the main features of League structure and procedure were—or are—such that they would have to be reproduced in any international organization set up in its place. One is reminded of the proposal made in this country, characteristic of the Harding-Coolidge period, to replace the Council and Assembly of the League in election of judges of the Permanent Court of International Justice by two bodies just about identical in character with the Council and Assembly but called by other names and meeting elsewhere than in Geneva.

The concrete details of this feature of the situation call for examination. In any state or interstate organization designed to facilitate action for the protection and promotion of the individuals and groups under it, at least four types of procedure or activity seem necessary, and at least four organs of government more or less closely parallel thereto. There must be (1) a method of agreeing upon, adopting, or enacting common standards of behavior, (2) a method of carrying out or applying these standards when adopted, (3) a method of deciding serious disputes as to their meaning, and (4) a method of correlating these activities, exercising the function of leadership, particularly in the first and second of these activities. The student of political science will recognize the legislative, administrative, judicial, and executive functions in this analysis.¹ These functions could be reduced to two by combining the last three, or—probably the best classification—by combining the first and fourth and the second and third. They could be reduced to Montesquieu's classical three by combining two and four. Much could be said for one or more of these combinations, but it seems best for the purposes of this discussion to allow the fourfold grouping to stand. To it corresponds the fourfold grouping of the representative-legislative body, the administrative services, the judiciary, and the executive. It is believed to be one of the few items about which political science can generalize dogmatically: no state or union of states—pure dictatorships or autocracies excluded—could get along without these elements, and none has ever tried. In spite of all the variations mentioned and others connected with the nature

¹ WILLOUGHBY, W. F.: *Government of Modern States*, pp. 228-229, New York, 1919.

of each function and organ, this analysis seems in general entirely sound and reliable.

There is no exaggeration involved in saying that the League possessed the four types of organ needed in its Assembly, Secretariat, Permanent Court of International Justice, and Council. (We need not deal with the International Labor Organization here, but examination would reveal that it also possessed for itself this fourfold structure.¹) Each of these organs had its defects, and there were various defects to be noted in their relations one to another, but that is a different matter. The basic structure and forms of procedure necessary to any international organization were there. This feature of the situation is so obvious that it receives almost no notice from either friends or critics of the League. It is emphasized still further by the fact that criticism of the League dwells so predominantly upon subordinate aspects of the situation—on the limited powers, or, perhaps, the lack of community spirit, in the Assembly; on similar excessive nationalism in the Council, etc.—rather than upon any major gaps in League technique or organization. The basic elements would have to be replaced in substantially the same form in any international organization that should be created to take the place of the League.

As suggested earlier, this analysis is not, on the other hand, sufficient to establish the conclusion that it would be preferable to try to utilize the League as the basis of postwar international organization. It does constitute a very powerful preliminary consideration in favor of such action. It places the burden of proof very sharply on the shoulders of any one who proposes action of a different kind. Other considerations tend to support this preliminary case, but they may be discussed more satisfactorily as part of the direct arguments for and against the League.

One more introductory question is to be examined before proceeding to draw conclusions regarding the League itself. That is the problem of whether an organization of the type of the League is sufficient to satisfy our demands, or whether we do not need something much higher in type, such as a "federal union" or even a world state. Is the League—or any international union—not essentially and necessarily too rudimentary in form and character

¹ General Conference, International Labor Office, Commission of Inquiry, Governing Body; in practice the Permanent Court of International Justice came to constitute the judicial organ of the International Labor Organization as well as of the League.

to satisfy the needs of today? Should we not break clean with the past and start all over again on a much higher level? The last question mentioned calls for special consideration in connection with the League as such. The preceding question is a generic and fundamental problem calling for settlement before we go any further.

To begin with, the true distinctions between federal and unitary political organizations and between international and federal organizations, if any, must be made clear. Then we can proceed to discuss the League in the light of these distinctions and also in reference to what is needed in the future, League or no League.

The logical distinction between a federal and a unitary political organization is to be found, on the side of the source of political authority, in the question of whether this authority is derived from the whole mass of individuals who make up the union, taken as a single body, or from the states (or cantons or provinces) into which, on a lower plane, these individuals are organized. The distinction on the side of execution or application of authority turns on the point of whether this action is taken *vis-à-vis* the individuals of the whole body politic or *vis-à-vis* the states as such. A federal government pure and simple would draw its powers from the states and act upon them; a unitary government would draw its powers from the people as a mass of individuals and act upon the latter. It is believed that the grounds for these distinctions are obvious and compelling and need no further argument at this point.

Other students of the problem are, however, inclined to adopt the standard of sovereignty, or the surrender of sovereignty, for the purpose of distinguishing between international and federal, or between federal and unitary, political organization.¹ For them an organization is international in contrast to federal, or federal in contrast to something higher, if the member states retain their sovereignty rather than surrender it to the union.

The standard of sovereignty or its surrender seems almost meaningless either for distinguishing international from federal or federal from unitary political organization. With every treaty that it signs a state, it must be admitted, surrenders some of its

¹ Streit, work cited, p. 196. Not all students of the matter realize that the important distinction is the distinction between federal and unitary government, and speak of a distinction between international and federal government as though it embodied the crux of the matter, whereas, as we shall see in a moment, it has almost no meaning or even reality.

sovereignty, unless the possible power to act, in agreement with one or more other states or under general international law (which is the same thing), to repeal the treaty is taken into account. But if this element is made the test in the situation, then a permanent union of states with large powers over both the states and their nationals—such as the United States of America—could also be regarded as “merely” a federal union. On the other hand, in various close unions where much power is transferred to the central government and where the right of secession is denied, it is firmly maintained that the states or cantons are still sovereign.¹ It is sometimes said that both union and states are sovereign—which might, perhaps conclude in a fitting way the whole argument on this score! It remains only to add that in various international unions where there is no thought of a transfer of sovereignty, or of statehood for the union, authority is given to act directly upon the nationals of member states and their property²—if, indeed, this seems more significant than acting upon sovereign states themselves.

If this analysis is sound then we must employ tests of both the source and the object of governmental authority, and even the test of the general behavior of the union and its component parts, in making our distinction. And then our real choice lies between a completely unitary world state (no federal elements remaining), on one side, and a loose federal grouping (no unitary elements present) on the other, or anything in between. Just as the reactionary skeptics argue, vainly it is believed, for a return to the very rudimentary groupings of a century ago, or to complete international anarchy and isolation, so radical poetic dreamers would hold that internationalism or international federation is not enough and that we must now and at once have the complete unitary world state.³ Most of the advocates of the world state do not make it clear whether or not they actually mean a unitary state and intend necessarily to exclude all elements of federalism, but we may assume so for the purpose of this discussion.

Such an extreme solution seems out of the question. It would be impossible to secure its adoption, unworkable if adopted, and

¹ WILLOUGHBY, W. W.: *Constitutional Law of the United States*, Chaps. IV and X, New York, 1910.

² This is true, for example, of all international river commissions; see also N. L. Hill, *International Administration*, pp. 243–245, New York, 1931.

³ WELLS, H. G.: *The New World Order*, Chaps. VII and XII, New York, 1940.

undesirable if workable. It is conceivable that in some more or less distant future this may be otherwise, but there seems no justification at the present time for dwelling on this point any longer.

The alternative is inevitably some degree of international federal union, with as much or as little of the unitary element introduced into it as is desired, *e.g.*, such organizations as the international unions which we have had in the past, including the League of Nations, stepped up as little or as much as circumstances require and as people wish. We might, perhaps, have reached such a conclusion on empirical or common-sense grounds without all of our elaborate theoretical analysis. Unfortunately we have to deal here also with the intellectual and sentimental perverts for whom whatever is—and especially whatever has been—is wrong and for whom nothing will do but something entirely new and as extreme as rare. Let the degree of closeness of the international federation be intensified, as far as people desire to go, and the unitary element likewise; but let us not talk nonsense about either a unitary world state or some new kind of federal union distinct from what, in principle, we have often had in the past and have always been able to have whenever we wanted it.

If, now, we are to renew the attempt to create an effective international organization, shall we try to utilize the League for this purpose or start all over again? What are the arguments in favor of one way of going about the matter as against the other? And what steps would be needed to utilize the League for the purpose and what steps necessary in order to build up an entirely new system?

It should be repeated here that we are thinking primarily of the League of Nations proper in this discussion, rather than of its autonomous branches, particularly the International Labor Organization and the Permanent Court of International Justice. Concerning the revival of the latter there is little doubt, assuming that some general world organization is to be maintained after the war, a question that seems already to have been answered in the affirmative; this does not, however, go very far in solving our general problem. As for the International Labor Organization, here also there seems to exist a strong probability that this organization will be maintained—for it is still quite active today—after the war. In this case a greater contribution will be made toward general international organization than by the revival of the court. Indeed, during the

years 1939–1941 there were distinct signs that an effort would be made to develop the activity if not the structure of the International Labor Organization so as to make it a formidable rival to the League¹—either the unreformed League or the League as envisaged by the reforms begun in the spring of 1939 under the leadership of Bruce of Australia²—or perhaps something to replace a defunct League. Finally, in 1942 there appeared in certain quarters the suggestion that the International Labor Organization should be used instead of the League as the basis of postwar world organization. The merits and demerits of such a proposal will be noted later, but meantime the suggestion has rather disappeared. In any case, we shall consider primarily the League as such in the discussion that follows.

It is to be assumed, if only for the purposes of discussion—and here that familiar reservation has more than its usual weight—that, if the League is to be taken as a basis for postwar international organization, it is to be reformed and reformed upward rather than downward, so to speak. If this assumption were not sound, very different consequences would follow in our main argument.

In the first place, it is to be reformed and not left just as it is. More than that, it is to be reformed and not merely put back where it was in 1939 or in 1936 or 1933 or 1930. There would, indeed, be something singularly appropriate in restoring the League to the position it occupied at the peak of its history, in 1929, before the economic collapse and the weakness of its half-hearted friends and the destructive efforts of its more-than-whole-hearted enemies began its ruin. Such a moral vindication might do much for the cause of international order and progress.³ We are not engaged primarily on a moral crusade, however, or a vengeance party, but in a practical effort at improvement in organized international cooperation. Perhaps success in such an effort would at the same time be the best possible answer to the enemies of world order who destroyed the League. But merely putting the League back where it was in 1936 would not be enough to meet the needs of the future and would not even fulfill the promises of reform which had been developing in

¹ Foreshadowed in the reports of the director all during the years 1933–1938; see H. B. Butler, *The Lost Peace*, pp. 213–216, New York, 1942.

² See the so-called Bruce Report: *Development of International Coöperation in Economic and Social Affairs*; League document A. 23. 1939.

³ LAUTERPACHT, H.: Resurrection of the League, *Political Quarterly*, vol. 12, No. 2, p. 121, June, 1941.

League circles for so many years prior to that time and which came to the surface in such a suggestive way in that year.¹

In the second place, the League should be reformed upward. That is, its powers should be confirmed where doubtful, rather than eliminated. They should be increased rather than decreased. Its organs should be rendered more representative, more efficient in the conclusion of agreements and the adoption of legislation; its administrative branches should be rendered more efficient in preparing the way for such agreements or legislation and in carrying them into execution afterward. Its Council should be very carefully studied and reorganized so that the international viewpoint would receive much greater attention in its activities than was formerly the case, and the whole League program, which depends to such a great degree on Council leadership, be carried on with greater vigor and success. In whatever ways prove possible the League, if utilized at all, should, to repeat, be strengthened rather than weakened.

This point of view is not universally shared. There are those who argue that the League was given too much to do, was given too great powers to exercise, was developed too far both in structure and function, and that this was the cause of its failure. It was too ambitious, too pretentious, too advanced. Above all it was too specific, or the provisions for action by it in certain emergencies were too specific and too rigid. Among such critics are both persons who admit to being opponents, if not enemies, of the League, or even opponents of organized international action, and those who profess to be its friends. Indeed, for some strange reason, the viewpoint just described seems to be expressed rather more frequently among alleged friends of the League than among its foes. The implication here is that the League should be revised downward, reformed downward—perhaps “deformed” would be the proper term; indeed, the ultimate implication of this type of view would seem to be that the League should be scrapped altogether.

It must be admitted at once that if this is the type of reform desired then there would be no point, no advantage, and no practical common sense in using the League as the basis of postwar international reorganization. If the League were to be reestablished only to have its virtues extracted and its weaknesses exaggerated,

¹ ENGEL, S.: *League Reform, an Analysis of Official Proposals and Discussions, 1936-1939*, Geneva, 1940 (Geneva Research Centre, *Geneva Studies*, Vol. XI, Nos. 3/4).

in order to be denatured, in short, the result would surely not repay the effort. It is only on the other assumption that we can profitably talk of League revival and reform. Before passing on, however, we must examine more carefully the criticism of the League just noted.

The arguments for and against utilization of the League as the basis for postwar international organization are numerous. They are not all of the same weight, however, and their bearing on the point in question is very diverse.

In favor of utilization of the League—apart from the psychological or moral considerations already mentioned—are the obvious arguments that here is a fine plant ready for immediate (or continued) use, with furnishings and equipment intact. In the latter category might be included the library and archives and documents and records. Then there is the personnel trained in League administration, some of it still in Geneva, some in Princeton, some in Washington, some in Australia, some scattered elsewhere over the face of the earth, but capable of being reassembled so far as desirable. There is the whole habit and tradition and technique of League action, a little of it bad but, in the main, the most advanced ever developed in the international field. There are all the general arguments against sudden breaks and in favor of stability, continuity, and gradual improvement. In short, there is a very strong case on the side of nonpolitical considerations.

It might well be argued that the decisive test of the advisability of trying to use the League as the basis of postwar international reorganization must relate not to such general considerations (and others mentioned earlier), however, nor to political and psychological factors to be noted later, but to something much more immediate and more concrete. Especially in view of the admitted need for reform of the League if it is to be utilized at all, is not the crucial test that of whether the League is or is not too defective in any one or more of its branches, or in the relations between them, or in its procedure, to be susceptible of satisfactory reform, and whether adequate reforms can in fact be hoped for at the hands of the states? There would, of course, be almost as much support to be found for the opposite view—the view that structural forms and types of procedure are of little importance in government as compared with the spirit of cooperation and the desire to make existing institutions work. Although the latter view, so popular in recent years, at least in certain quarters, undoubtedly contains a considerable measure of

truth and would, so far as accepted, add great weight to the case for utilizing the League and not sacrificing much time or effort in merely getting a new set of forms, it does not seem possible to ignore the question raised concerning the possibilities of League reform.

It is impossible to argue this question exhaustively here, but we may note briefly what seem to be the answers, in general, to this inquiry. The answer seems to be, first, that the League machinery and procedure, as already indicated, were never far from adequate to their tasks—if the member states had desired to exploit them to the maximum (and no governmental system is to be expected to accomplish anything beyond the wishes of the predominant groups of its participants). The answer is, second, that there was never any dearth of sound suggestions for perfecting League action in various matters; even the members themselves indicated that they knew what these desirable changes were. And the answer is, finally, that, although the members allowed reform of the League to go altogether too long before undertaking it, or even opposed its consideration, they may be expected to have learned something on this score in the past ten years and that they had, indeed, seriously inaugurated the process—although again too lightly and too late—already in the years 1936–1939, in more than one way.

Of course the nations, particularly the Great Powers, might combine to hesitate, or even refuse to support the system of organized international cooperation where their immediate interests were likely to suffer. And all the nations—especially here the smaller nations—might stand upon the principle of national sovereignty in opposition to any international control. If they did so the whole cause of international organization and government would be jeopardized. But we cannot, and need not, go into these underlying issues exhaustively here; they would appear to be the same whether a decision were made in favor of the old League, another League, or something entirely new. These factors have not, moreover, been fatal in the past, when a suitable solution has been found, as it often has, for that complex of aggressive demands and defensive fears which is international politics. Appearances to the contrary notwithstanding, it has not been the principle of sovereignty so much as minor but manifold concrete difficulties which have stood in the way of more complete and hearty international cooperation.

The stereotyped conservative criticism of the League—for that is what the type of criticism cited amounts to at bottom—holds that

the League system was too elaborate, too precise, and too rigid, while at the same time being too uncertain because it was, of necessity, forced to take into account the principle of unanimous consent and allow much discretion to members in other ways. Operation of the League security system was crippled by the difficulty of defining the aggressor. The principles of coercion and pacific settlement conflicted with one another, and failure in the application of sanctions impaired League prestige as an agency for pacific settlement. Coercion of powerful states proved beyond the strength of the international organization. Meantime the League neglected the factors in the international situation making for trouble, failed to develop constructive programs to deal with them, and failed to provide effective revision of unjust or unduly onerous treaties. As a remedy, it is proposed to eliminate all economic or military coercion from the League system, and all specific procedures for pacific settlement, together with such special bodies as the Council and the Assembly, relying instead upon a conference of the diplomatic representatives of the member states and the processes of negotiation and persuasion, the whole based on a general declaration of the duty to keep the peace but with no binding authority in the conference or its subcommittees, except on procedural matters.¹

With all due respect to their authors, such views, beyond the obvious injection of pacifist prejudice, seem incredibly theoretical, academic, and unconnected with the actual history of the problem. There were many things wrong at Geneva, but they are not indicated in these abstract and fanciful and sentimental lucubrations. As for the remedies proposed, they also seem to have been put together by some one living entirely out of this world. Not only are they reactionary in the strictest sense of the word, preaching methods and forms long since left behind by the states themselves in their development of international law and organization, but they are incredibly naïve and trusting.

In actual fact the failure to check Japan—for some reason regarded as the worst “League” failure by the authors of these views—is to be traced not to any feature of League structure or procedure whatever but to the simple fact that the United States, after crippling British naval power in the Far East by the egregious Washington Conference, was quite unready to cooperate in any

¹ HOOVER, H., and H. GIBSON: *The Problems of Lasting Peace*, Chap. VIII, New York, 1942.

action herself although quite eager to talk big and blame others for not doing so. There was never any difficulty about defining the aggressor in either the Manchurian or Ethiopian cases. No rigidities or elaborateness or precision, and for that matter no veto power, made any real trouble. Again, in the Ethiopian case, the cause of the failure—and once more it should be reiterated that it was not so much a failure of the League system as of the members to use it¹—was the unsound political views and actions (or inaction) of the United States, Great Britain, and France, in ascending order. Understandable anxiety regarding Germany and Bolshevism drove France and Great Britain to utterly unsound judgments in the years 1935–1936, but no features of League organization or technique had anything to do with it. As for the alleged conflict between coercion and pacific settlement, one wonders where to seek to find a community that does not employ just that combination: peaceful cooperation as far as it can be obtained but coercion where necessary. For that matter compulsory adjudication is pacific settlement at its culmination, as any tyro in the history of government knows. And it is simply not a fact that it proved impossible to coerce Japan or Italy: it was not tried at all in one case and not pressed to a conclusion in the other. Constant effort was made to deal with economic and all other types of situations or factors likely to make trouble among the nations. If little progress was made, this again is to be traced to the reluctance of the states to make mutual concessions in these matters. Progress in revision of treaties was held up by the same factor—and let it be remembered that the states crying for revision were themselves in the van of those who did not wish to see revision carried out under Article XIX. No, it was not the League system that made trouble; it was the states that refused to use that system. If the critics or reformers cited are willing to say that the League system was too advanced in the opportunities that it offered to the states for cooperation, and that the peoples of the world did not want much international cooperation, that might be nearer the truth. But in that case it is obvious that the arrangements proposed in place of the League system would not be utilized either. What is needed is a system that holds out to the states better organized opportunities for voluntary

¹ Would it be said to be a failure of "the United States" or of its Constitutional system that the states or the Congress persistently refused to adopt a much needed reform of the Federal criminal law in the matter of treaty enforcement?

cooperation and provides for coercive action by the international community if one or two states insist on perpetuating and practicing the pattern of violent anarchy now overwhelmingly condemned by enlightened opinion.

The political arguments against use of the League are not numerous, but they are important. As against the moral vindication of international order is to be cited the reputation of the League as a sanction and support of injustice, or at least as an organization incapable of remedying injustice. This traditional picture, originally a Communist Russian-Fascist Italian-Nazi German-Japanese picture, is, exaggerated though it may be, still accepted by many alleged friends of international cooperation in this country. True or false, it is an important psychological element in the situation. To it must be added the legend of failure and catastrophe; that this legend has, as we have seen, been grossly exaggerated, does not entirely destroy its psychological and political importance in the present discussion. There follows the fact that it would be most difficult to get the United States into the League, even at this late date, perhaps just because this might seem to involve an admission of having been guilty of error in 1920, an admission already made in high circles but not yet being clearly used as the basis for a new program! At the very least there would be the risk of reopening the bitter controversy of that time. It would, similarly, be most difficult to secure the return of Germany, Italy, and Japan on any voluntary basis; their return could be required as an item in the peace settlement, but it may be questioned whether this would be satisfactory as a very firm basis for future action. Finally, it would be most difficult of all, probably, to secure the return of Russia to the League—Russia which had scorned the League for fifteen years before joining, had found it inadequate to her own purposes during the five years of her membership, and had then been expelled in disgrace for her attack upon Finland! Of course a Russian dictatorship alert for advantage and cynical about its own past misfortunes—or optimistic, not to say opportunist, toward the future—might decide to take a very different line and utilize the League as a safeguard against Anglo-American domination and, if it did so decide, could doubtless succeed in such a right-about-face. Given these adverse considerations, however, can anyone seriously hope for a League restoration—especially when one takes into account also the personalities at the head of American, British, and Russian policy at the present moment?

The possible advantages of the International Labor Organization in comparison with the League in this connection must be obvious. It enjoys the reputation of success rather than failure. The United States is already a member. Finally, it is in tune with social welfare programs and social politics or humanitarian uplift in this country and in England rather than with that capitalistic-imperialist system whose embodiment the Russians always charged the League with being. On the other hand, the Russians never had much use for the Labor Organization either, and the entry of the United States therein has not left entirely pleasant memories in certain circles—the Republican Party and the Senate specifically—in this country. As will be seen in a moment, the International Labor Organization probably would encounter still another objection in certain other quarters in the United States today. In any case, the League proper remains the main point of our problem.

Before trying to draw a conclusion on this our principal question, let us go a little further into the political aspect of the situation. Just how is our main problem going to arise and how are the approaches to its solution going to be formulated or handled?

Assuming a military victory for the United Nations—more specifically for the United States, Great Britain, Russia, and China—over the powers of the Triaxis, the final defeat of Japan being, however, in all probability, delayed some time after military victory in Europe, what is to be the prospect and the proper line of action in regard to postwar international organization and the League?

At one time—in the summer and fall of 1940 and well into 1941, to be exact—the British were talking strongly of running things international alone by themselves after the war—after, that is, that defeat of the Axis which nevertheless looked so distant at the moment. The fall of France and the complicity of Russia and the continued abstention of the United States undoubtedly prompted this brave but somewhat extravagant attitude.

With the increasingly sympathetic attitude of the United States and the prolongation and development of the war in various directions, a concept of Anglo-American hegemony tended to take the place of the narrower idea, or to reenforce it, while giving it greater depth and breadth. By the latter part of 1941, in spite of the involvement in Russia and in spite of some increase of attention to the Free French and the United Nations group as a whole, this conception of Anglo-American leadership in the postwar world had become very strong.

Subsequently the development of the war in the Orient has brought China more prominently into the picture, and the Russian resistance to Germany has done the same for Russia. In a somewhat vague political sense the generalization of leadership and the responsibility for postwar international reorganization progressed very far in the years 1941 and 1943. There are even traces of fear on the part of the British and Americans that control of the situation might slip out of their hands, though they had succeeded until recently in dispensing with much group consultation with Russia and China or the United Nations in general.

Actually, what is done in the postwar world, especially in the West, depends still on Britain and America more than upon any other one or more powers. It is not necessary, possible, or desirable to return to the extreme narrow British view of affairs of 1940 and 1941. It would be just as absurd to adopt an exaggerated idea of the extent to which America can dictate the postwar settlement. It is even impossible and objectionable to adopt a program of strict Anglo-American hegemony. Finally, we must avoid silly and romantic fears—or hopes—that Russia is going to rule the postwar world. It is doubtful whether the participation of Russia is absolutely indispensable to postwar international cooperation; certainly neither her presence in nor her absence from the League of Nations at different periods in the history of that organization was decisive for its success or failure. The same is true, to a lesser extent, for the absence of the United States, although her participation would undoubtedly be of tremendous value, just as Russian hostility, if it should develop, to any postwar international system, would be somewhat dangerous. Allowing as well as we can for all these different factors, it still remains true that Anglo-American cooperation, if it persists, will probably be decisive for or against what happens in the direction of future world organization, in spite of the qualifying influence of Russia, China, France, or the United Nations, not to mention the Triaxis powers.

If this analysis is sound, what is likely to happen concerning the League of Nations, a new league of nations, or anything else of that general variety? What may be expected in this direction from Great Britain, from the United States, from Russia, and so on? Or, specifically, from Churchill, from Roosevelt, from Stalin, from Chiang Kai-shek, De Gaulle, Tito, the Czechs, the Poles, or others?

The outlook for a revival and reform of the League of Nations or for the establishment of any equivalent world organization is not

bright. Mr. Churchill's mind and instincts do not run in that direction or in the direction of that type of thing; if, however, Mr. Eden and certain other individuals and groups come to the front in England at the end of the war the situation in that country may change greatly. It should be noted that most of the study and discussion of postwar problems in England also has centered on special problems rather than on the problem of general over-all structure. Similarly Mr. Roosevelt's mind appears not to run to constitutionally established and defined institutions, at least in the international field, but to looser and more extemporaneous relations and activities; perhaps, as a good politician, he is recalling the battle of 1920 and is resolved to avoid any contest again over advance commitments, decisions, and such matters. Here also popular or even congressional opinion may compel the President to be more progressive in the matter—which would indeed be an interesting reversal. Finally it does not appear that Mr. Stalin or any of the Chinese leaders is going to fill the role taken by Woodrow Wilson in 1916–1919. One may be forgiven, perhaps, for adding that these “realists” may learn with Mr. Harding and his reactionary successors that makeshifts and improvisations are not sufficient in the matter of world order and progress and that the peoples may, once more, after another—although this time probably a briefer—period of disaster, perceive again the need for sound, permanent, general international organization and government.

The present writer regards all this as highly regrettable. As he has already indicated, he is well aware of the many defects of the League of Nations. He is well aware of the difficulty of any attempt to revive and reform the League as the basis of postwar world organization. He would have both questions faced with the utmost objectivity and decided with an eye single to one aim, namely, the establishment and development of effective organized international cooperation. He does not believe that the international community can dispense with such organization today or in the future. He feels that the evidence to this effect is voluminous and very convincing. He would, indeed, not have believed it possible that this basic question could be raised with any seriousness at this late date. But the Tory imperialist, the welfare opportunist, the all-Russian dictator, not to mention the Chinese dictator and one or two other rulers of similar type, seem not to be interested in the cause of international order and cooperation in constitutional terms. They even seem to be hostile to it as restricting too much

the liberty of the British, American, Russian, or Chinese colossus, respectively, and as inimical to their personal or partisan fortunes also. The result is a program for a fourfold subdivision of the world into spheres of influence, very reminiscent of the Triaxis plan (the United States to have the Western Hemisphere in both cases!) and differing therefrom only in the degree of brutality or consideration shown in imposing it. The result is that we may see strong nationalist policies formulated in these great countries after the war, and demands for League revival, or for anything similar, put forward only by weaker countries such as France and other continental states—perhaps even including the defeated Axis powers. This would be a development entirely logical but likely to be very surprising to many people if it does take place.

It hardly needs to be interpolated here that, if the ruling statesmen cannot be expected to have much or any use for the League of Nations, or even for the United Nations as an organized group, they can be expected to have still less use for utopian schemes of federal union, new world federation plans, or what not. Such schemes might seem to be more logical or more beautiful than any results to be had from the modification and development of existing political constellations. It might seem possible to develop such popular support for one or more of these projects as to force the politicians to accept them. Both are possible, neither is probable. It hardly seems worth our while to examine such projects in detail here. If, it be replied that the League of Nations was itself a revolutionary project once, the answer is that it was not; it was always that developed and modified precipitate of experience which (as is being argued throughout this paper) is the most useful basis of progress in this as in any other field of the political art. This should not prevent us from extracting from any utopian plan any elements that may usefully be combined in the reformed League.

The tentative analysis just suggested may be very far from the truth or at least very exaggerated. It is to be devoutly hoped that this is the case. A sharp reversion to pre-1919 or pre-1914 days in the matter of international organization would be a very dangerous experiment. Overorganization in political matters is indeed a fault—either too much machinery or too rigid procedure or exaggeration in any other form. But to accept the Fascist-Nazi principle that nations must not be hampered in their dynamic evolution by much international law or much international organization seems to be to swing too far in the opposite direction. Perhaps the wise

solution would be—we thus reach this conclusion a second time through a very different course of reasoning—a return to the status of 1936 (or 1939) with some such improvements as the League members themselves proposed at that time. It may be admitted, perhaps, that the League was too advanced for 1919 or for 1931 and 1936, or even for 1939. It may be admitted that to adopt a system too far ahead of opinion is to provoke default on its principles when the time comes to apply them. It, nevertheless, remains true that the peoples might be expected to have learned something from the catastrophes of these years and to be prepared in 1944 to accept—and genuinely accept this time—at least as advanced a system as they pretended to accept in 1919 and failed to support in 1931 and 1936.

If such a position could be taken, there should be no difficulty in harmonizing the divergent views concerning use of the League or its rejection. The major issue is that posed at the beginning of this discussion: Shall we try to establish or reestablish any serious system of organized international cooperation comparable with the League? If we can answer this in the affirmative but still prefer to avoid the League for political reasons, or "on the political side," perhaps the United Nations group can be developed into a loose political international organization and the remaining portions of the League utilized on the nonpolitical side. The United Nations represent a new start, something creative and hopeful, and they may soon represent victory, not failure. They may soon dominate the world. On the other hand, they have so far remained very sketchy in outline and as a body politic. It is not certain that Russia would be much readier to join such a union than to return to Geneva, or that neutrals will be even as ready to join such a coalition as they were to join the League in 1919. Finally, it is quite certain that Triaxis states will regard the United Nations, if the latter are victorious, with even stronger hatred than that felt for the League twenty-five years ago, although this should not be allowed to prevent their adherence, compelled if need be, this time. In spite of all these difficulties the proposal cited seems not without some merit. There seems to be evident a considerable degree of willingness to perpetuate and make use of the technical branches of the League, including the International Labor Organization. The present writer would still mistrust such a solution somewhat and any decision to avoid detailed and formal and "unworkable" provisions—for enforcement action, for example. He does not believe that all law

needs to be unworkable, whatever the opportunist or dictator may feel to the contrary. The problem is fundamental; it arises not merely in the matter of sanctions but in the settlement of disputes, in boundary problems, in the armaments question, and even in many nonpolitical questions. What we are dealing with is the manifestation, in the international field, of another of those perennially recurrent romantic revolts of administrators, "leaders," dictators, and pure [sic] politicians against orderly development of social organization and social action by agreement and cooperation. It is too early to be sure how far the revolt will succeed, but it probably will not have been ended by the defeat of the Triaxis.¹

¹ The Dumbarton Oaks Proposals of October 9, 1944, do not seem to have greatly altered the situation as here described. What will be adopted in carrying out those proposals remains entirely uncertain. On general aspects of the situation the fears of the writer are being confirmed only too well.

CHAPTER XIV

AMERICAN-BRITISH RELATIONS

H. DONALDSON JORDAN

The problem of postwar relations between America and Great Britain is most wisely looked at as part of the wider question of the organization and maintenance of peace. As these two countries are now unavoidably and intimately associated in the conduct of war—their affairs more and more intermixed, as Winston Churchill put it—so it is essential to recognize that they will not be able to separate when the fighting stops and reconstruction begins. So obvious is this fact that some have even proposed a permanent political alliance between the two countries.¹ That this is premature, however, seems quite as clear as that Anglo-American cooperation must continue; for this reason it is worth examining with some care the actual framework of fact within which the statesmen will perforce operate.

To begin with, the United States and Great Britain have made no binding postwar commitments to each other. Sovereignty, whatever it may be, is still intact, *i.e.*, both parties remain perfectly free to make major decisions in the future. On the other hand, they are associated in certain important statements already made to the world, notably the Atlantic Charter of 1941 and the Moscow and Teheran declarations of 1943. They are pledged, with Russia, to work together in war “and in the peace that will follow,” to establish, “at the earliest practicable date,” a general international organization, and to seek the cooperation of all nations, large and small, who are against tyranny, oppression, and intolerance. Part of these pledges has been formally adopted by the United States Senate in the Connally Resolution, which adds that any treaty establishing an international authority shall be made only by and with the advice and consent of the Senate.

¹ STREIT, CLARENCE R.: *Union Now with Great Britain*, New York, 1941; Governor Dewey of New York at Republican Governors' Conference at Mackinac, *The New York Times*, Sept. 8, 1943.

Only to this limited extent, then, are the United States and Great Britain mutually bound. Their cooperation for war purposes, however, goes far in its implications. Not to mention the Combined Chiefs of Staff and the joint commands in several theaters of the war, a tremendously active and powerful group of British-American "combined boards" is at work dealing with raw materials, production and resources, food, munitions, and shipping. Add to these the still not fully developed United Nations Relief and Rehabilitation Administration, and it is easy to see that we have in operation for the war and, necessarily, for the immediate postwar period, a controlled economy that is not only our own but international and primarily Anglo-American. It is impossible to imagine a peace in which these organs of control can be dropped with any speed. Should some of their functions prove practically useful and politically acceptable after the fighting, there will be no definite visible point at which this form of joint action should be made to terminate. Anglo-American alliance in theory bids fair to lag far behind Anglo-American union in practice.

We must not, however, dodge a consideration of the permanent relations between American and British interests. Since the British position is clearer than ours, let us consider it first.

Great Britain's formidable power in world affairs for two generations masked from most Americans the fact that under no circumstances could she afford the luxury of a serious quarrel with the United States. This fact was already emerging at the time of the Civil War and of the subsequent Alabama Claims arbitration; it became clearly evident when President Cleveland twisted the lion's tail over the Venezuela boundary dispute; and the growth of the German navy and the increasingly dangerous perplexities of the period 1899 to 1914 fixed the need of maintaining general diplomatic friendship with America firmly in the mind of practically every Englishman who thought about foreign affairs at all. Faced with a Europe of power polities on the one side and an Atlantic Ocean which she could no longer dominate on the other, Britain's existence in the twentieth century indeed depends on our tolerance, in fact on our support.

This is not to say that she has no hand of her own to play. The poorest by far in population and material resources of the three great powers of the coming decade, she is the richest in history and in experience of this global world. As students like to point out, the British Empire has gone far toward solving some of the thorniest

problems involved in the attempt to combine unity with diversity. In a world whose chances of peace depend on this very thing, it is no mean asset. Furthermore, Britain, for the time being, has great moral force. Once again, for at least the fourth time in her history, she has lived dangerously and survived. Her faith in herself (so long irritatingly evident to other peoples) has been justifiably strengthened and, while much of her wealth is being expended, her brains and her vigor remain, sharpened and toughened by crisis. She knows what she wants and what she needs and will work for her broad objectives with pertinacity and skill.

These objectives, at least as a first choice, are pretty clear. First of all the Empire must be maintained. The "British" Empire, however, is unlike any other that ever bore the name. The longer it lasts the less imperial it becomes; it is already an association, not an organization; shrinking, not expanding. The logic of the British Empire is perpetual diversification by compromise and adjustment, and its goal, to which it moves with infinite slowness, is a cooperative gathering of free states without even a common legislature. Britain's task is to maintain the conditions of peace and free movement that will permit the Empire to continue its long evolution. In this task lies England's greatness, even more than her profits, and to keep her greatness she will strive as long as she can.

A second British objective is a world of peaceful trading based on regional specialization and stable international currency. Without an extensive export and import trade it is impossible to see how the little island of Britain can continue to support anything like its present population of 47 millions; so nothing is more vital to it than the restoration and expansion of the world economy, especially that of Europe. The United States has already to a certain degree promised to support this aim, which is well expressed in Article VII of the Master Agreement signed by the two governments on Feb. 23, 1942. In the final determination of the benefits furnished to England under Lend-Lease, reads this article, there shall be provision for agreed action

. . . directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers. . . .¹

¹ The agreement is printed in *Foreign Policy Reports*, July 1, 1942, p. 108.

These two goals cover broadly England's most essential needs. The corollaries stemming from them are a number of foreign policies, mostly of long standing and, except for some of the period from 1919 to 1939, vigorously pursued. Such are the maintenance of friendly and not too strong powers in occupation of the European coast line nearest to Great Britain; the Anglo-Portuguese alliance; a predominating position in the Mediterranean and on the land bridge between the Mediterranean and the Indian Ocean; a navy—and now an air force and civilian air lines—capable of at least protecting the main supply routes of the home island; and, finally, as close friendship with the United States as circumstances permit. The striking thing about such an enumeration (though it is by no means complete) is that almost any British citizen would recognize that these are indeed British policies, about which there is little need for conflicts of opinion.

If we turn now to the United States, it is less easy to be clear. There are many indications, especially in this election year of 1944, that we have not yet envisaged the kind of world we want to live in and consequently have not attained to general agreement on the policies we wish to pursue. On certain points, to be sure, we are already committed; some of them have been indicated. It should be noted also that we have given up for the present (not entirely by deliberate decision) the ideals of isolationism and hemisphere defense, and are fully engaged in war on the far sides of both the Atlantic and the Pacific Oceans. Although it should be recognized on the one hand that the unity given us by Pearl Harbor was factitious and temporary, on the other it cannot be denied that the United States will before long find itself burdened with an inescapable and enormous share in the responsibility for "settlement" of the affairs of the world. In the coming period of problems and perplexities, what are the certain and stable elements in American policy that will control our relations with Britain?

Of the Monroe Doctrine there is nothing to say except that England has fully accepted it for over 40 years. The same is true of our position in the Caribbean, where the British show strongly on a political map but where in fact they have long since abandoned any intent to remain strategically entrenched. The bases we obtained for destroyers in 1940 represent merely an acceleration and strengthening of our fortification of this American Mediterranean. The same, indeed, applies to the whole stretch of the western North Atlantic, from Labrador and Newfoundland past

Bermuda to the bulge of Brazil: it is inconceivable that we shall give up our full freedom to control this area for naval and air defense.

In regard to Canada we are bound by history, habit, and sound policy alike, and there is no reason to anticipate a change after the war. For us, Canada represents an easy neighbor and a safeguard of our flank. For Canada, the British connection preserves, paradoxically, her nationality, and the United States makes her secure. The Ogdensburg Agreement and the Permanent Joint Board for United States-Canadian defense represent, like our new Atlantic bases, merely the perfecting of a system of long standing.

Further afield, however, American policy, is not quite so definite. We are fully committed to the gaining and retention of power in the Western Pacific and all indications are that in the next generation the safety of Australia and New Zealand will depend rather on American than on British sea and air power. It is doubtful, however, that we shall want to exercise this power alone; British and Dominion cooperation could at least reduce the number of Americans who would have to live at remote tropical stations with the aid of movies, juke boxes, and air mail.

All this is a matter of defense and answers few fundamental questions. Aggressors shall be disarmed and we, with our allies, shall remain strong. Beyond this little is certain, not even who will be allies and who aggressors 10 years from now. The basic problem is not where and at what cost we shall be militarily strong, but what political measures we shall take to obtain permanent peace and security.

Leaving the realm of reasonable certainty for that in which American policy is not yet definite, we may examine first the reasons why the United States should deliberately plan to cooperate with Great Britain in peace as well as in war. The present writer believes that such cooperation, progressively modified as a viable world organization is developed, will be the safest and wisest course we can adopt in the first postwar years.

The realistic basis for this belief is the fact that we do support England anyway, whenever there is general war. What Henry Adams called the Atlantic system,¹ the domination of that ocean by the British and American navies, means in effect that, so long as Britain exists in something like her present situation, we have a

¹ For a full discussion see Forrest Davis, *The Atlantic System*, New York, 1941.

guarantee against the rise of a single Old World power system that would be able to dominate South America and seriously threaten us. As Walter Lippmann pointed out in 1917 and again in 1943, the substantial and compelling reason for our participation in the First World War "was that the cutting of the Atlantic communications meant . . . the conquest of Western Europe by imperial Germany."¹

The same thing is true of the present. As an American authority has recently summarized it, the goal of Nazi Germany is no secret to be guessed, no mystery to be divined; it has been published widely in German geo-political literature for all to read. The plan is to achieve for Germany, in the western half of the Old World, a position similar to that which the United States enjoys in the New World—possession of the northern continent, the European land mass, control of the middle sea between Europe and Africa, and hegemony over the southern continent. . . . The European land mass from the North Sea to the Ural Mountains will be organized on a continental basis as the economic heart of the great "living space" and the foundation of the war potential for the inter-continental struggle for power. The Near East, which controls the routes to the Indian Ocean and contains the oil on which European industrial life depends, will be integrated, economically and politically, in the form of semi-independent states controlled from Berlin.

Africa under German management and large-scale planning will become the tropical plantation for Europe and a source of strategic raw materials. . . . A frequent and fast air service will maintain communications between Berlin and the temperate zone of South America. . . . The German program is definite and clear cut; it envisages a large "living space" covering the northern and southern continents with the Mediterranean in between, an empire from the North Cape to the Cape of Good Hope.²

That an integrated Europe, with or without Africa, would have twice and more the population and resources of the entire Western Hemisphere is unquestionable. That it would be a neighbor infinitely more difficult and dangerous to live with than the British Empire is an understatement.

For such reasons if for no others we need Great Britain. She is far more than an unsinkable aircraft carrier, far more than our Maginot line. She is the weight by which Europe is balanced and America kept safe; and in 1940–1941, through her and our blunders,

¹ LIPPmann, WALTER: *U.S. Foreign Policy: Shield of the Republic*, Pocket Book Edition, p. 24, New York, 1943.

² SPYKMAN, N. J.: *American Strategy in World Politics*, pp. 121–122, New York, 1942.

we nearly lost her. She is relatively weaker than she was, and we can ill afford again to let a situation develop that threatens her existence. Yet she cannot be divorced from Europe any more than from the Atlantic; her policy in Europe will depend largely on what we do; and so we too must continue even in peace to take some share in the affairs of that tortured continent, must hammer out some sort of joint policy with Britain.

The alternative, if we continue to think in terms of power, is unpleasant. As modern air force develops, it seems that the moat between England and the continent has probably played its last great historic role. History, the Empire, and the United States all pull Great Britain away from Europe, but the technology of the twentieth century binds her to it as never before. If the United States shuts itself away in even partial isolation, England will be forced to come to terms with Russia or Germany or both, and the resulting political and social systems will not be such as to arouse sympathy in the United States. In acceptance of overhead organization and control, in many of the things we mean by "socialism," Britain is already much closer to Russia than are we.¹ Should our postwar conduct force her to choose partnership with Russia because we refuse to be partners with either, what would be the future of free enterprise for the 400 millions of non-Russian Europeans?

Collaboration with Great Britain, as a matter of fact, seems almost inevitable; it is the premise, for instance, underlying the American project for a permanent supply of oil from Arabia. But there is no denying that it will be difficult and often irritating. If we wish cooperation with England, we shall have to hold to a clear understanding of our interests and objectives, we must be prepared to make concessions on nonessentials and be willing, as we are in our domestic politics, to accept decisions without recrimination. Ultimate goals are, after all, much the same: world peace without abandonment of national freedom, the conservative way of change by modification and adjustment rather than by revolution, and material welfare for all without moral degradation of the individual.

Granted that Anglo-American collaboration is desirable, we may ask if it is possible. International friendship, especially between democratic countries, is dependent on the public temper, and the very scale and frequency of Anglo-American contacts create

¹ Compare the remarks of James Truslow Adams on totalitarian planning: "We hear much of Russia but, if you want your hair to stand on end, study what is going on in England," *Barron's Weekly*, Jan. 3, 1944, p. 3.

a more active public opinion than exists between most other countries. In this field, conditions are both favorable and unfavorable.

An advantage is surely possession of the same tongue, despite Bernard Shaw's statement that England and America are two countries divided by a common language. Many, to be sure, have been disappointed in finding oral communication far less easy and comfortable than their expectations; yet it is still true that common language means easier understanding and greater cultural community. Shakespeare, the Bible, and Lincoln use the same language; Confucius and Pushkin and Emerson do not. The same weights and measures help, too; though if miles are easier than kilometers, shillings and pence do not fit well with the decimal dollar.

Of another advantage, the bond of Anglo-Saxon cousinhood, perhaps the less said the better. The British of the upper middle and professional classes feel it strongly, together with a smaller number of their American counterparts but, for the vast mass of the American people, England is a country inhabited by foreigners. Appeals to the sentiment of kinship, such organizations as the Pilgrim Society and the English-speaking Union, may be all very well in their way, but their field of action is very restricted.

Personal contacts are of course now on a larger scale than ever before. Between the moving picture, which has taught American speech and mistaught American society to the British, and the armies where young men of America meet all kinds of Britons under all sorts of conditions (mostly not those of normal civilian life), it is hard to say what changes are taking place in the future of American-British relations. We know that there has been comradeship in battle and in the air, that the United Kingdom is overcrowded with Americans who in some ways make life harder for civilians, that Americans in service are paid—and spend—far more than the corresponding British ranks, and, above all, that most Americans want to come home. We do not know how all this is going to affect the postwar situation and, if we did, it would be unwise to expect permanent results of importance. Unless history is a liar, travelers and soldiers, however numerous, have rarely laid the foundations of interstate relations.¹

Yet there are, in this field of intangibles, some things that really matter. The close relationship between the English and American law is one. It means that problems involving property rights and

¹ The legend that the English are a nation of mollycoddles will certainly not survive this war. What one will take its place?

rights of the person can be discussed and solved in mutually intelligible terms, that the liability of public officers for their acts is dealt with in about the same way, that "bureaucracy" means approximately the same thing. The leaders of bench and bar in both countries include a good number of leaders in public life, and these men have a common heritage, from Magna Charta to Blackstone and Bentham, that is no less significant than are Shakespeare, Milton, and Dickens for laymen. The political philosophy of the Bill of Rights, with its legal foundation, is a part of this same common language.

Without dwelling on the question of literary and cultural heritage, there is one other aspect of the mutual relationship worth mentioning, the religious. Here there is no over-all generalization. The "Free Churches" in the British Isles are in no different circumstance from the various Protestant denominations of the United States, and many of them are in quite close communication with their American congeners. The greatest intimacy, however, is enjoyed by the churches of the Anglican Communion for, despite the complete independence of the Protestant Episcopal Church in the United States, it has remained in some respects part of a greater whole, the Church of England and its associates in the Empire.¹ Many Episcopal congregations in this country are foci of pro-British sentiment. Between the Catholics of Great Britain and the United States there seems to be no such closeness.

Perhaps these matters are enough as an indication of favorable factors. They should certainly not be overstressed, for the barriers to an Anglo-American political connection are immense. We are all familiar with them, so that a bare enumeration may suffice. First, there is that whole segment of our history and our popular education summed up in the words "George the Third." Although school textbooks for more than a generation have no longer pilloried him as a wicked tyrant, no one who remembers the Chicago of William Hale Thompson will doubt that the tradition of 100 years is long in dying. Then there is an American belief of long standing that in diplomatic negotiations the smooth, subtle, and unscrupulous Britisher usually overreaches the simpler and franker Yankee. It may be that this tradition originated with the Jay Treaty of 1795; it would be hard to substantiate as a fact of the twentieth century.

We get closer to the root of the objections to Anglo-American ties when we remember the diverse groups of Americans to whom

¹ CURTIS, W. R.: *The Lambeth Conferences*, New York, 1942.

Britain is either unfriendly or alien. Many Irish-Americans are still potently moved by Anglophobia which, as our political system runs, can be quickly translated into powerful pressure at Washington. That the "Irish vote" is heaviest in politically doubtful and important states makes its influence the greater. Mr. De Valera himself, the leader of neutral Eire, has commented that antagonism to England is far less in his country than in the United States.¹ Similar in distrust of Great Britain, if not in its emotional springs, is the sentiment of German and Italian centers, while our other large immigrant groups from Europe cannot be expected to have any particular feeling for an England that to most of them has always been as remote as Sweden to the Spaniard or Greece to the Dutch.

Here, indeed, is the real nub of the matter, though it is essentially not a question of our diversities and our racial groups but of our continentalism. For generations Americans have lived to subdue a continent; our very nationality, our feeling of being ourselves and not someone else, grew out of a conscious withdrawing from Europe—a Europe in which Great Britain was merged; and the magnitude and variety of the tasks before us threw everything outside into a dim and distant perspective. It takes more than a little book learning about world resources and markets, more than a repetition that you can girdle the earth in a few days (what individual can actually choose to do so?), more than a schoolmarm's raptures about Westminster Abbey or the Uffizi Palace, to counteract such long and massive experience. Even little England, anchored so close to alien shores, has had strong isolationist leanings; and the attitudes of South Africans and French-Canadians to the outer world may also show that isolationism is much more than a peculiar intellectual or moral obtuseness of the American Middle West. It is intensely American, rooted in history and social conditions, and is not to be conjured away by chiding and name calling. Morbid it may be in spots, sometimes proclaimed by unscrupulous and fascist-tempered men, but at long last isolationism is grounded in the inherited habits and thoughts of honest folk whose cultural lag is no more than normal and who certainly never chose to live in the midst of a universal revolution.

¹ *New York Times Magazine*, Mar. 26, 1944. The role of Irish-Americans in the First World War is evaluated in N. M. Blake, *The United States and the Irish Revolution, 1914-1922*, unpublished dissertation, Clark University Library, 1936.

That isolationism can be explained and sympathetically understood does not make it any less dangerous. It was the complete failure of the American people in the thirties to comprehend the revolutionary nature of the world they lived in that makes it so hard now for them to catch up and realize the actual problems they have to deal with. The British, with less excuse, were equally unawakened; but since Dunkerque and the fall of France there are few sleepwalkers left in England. In the United States there are still many, with the consequence that the American people are divided and uncertain. In our divisions and the danger that they will prevent the formation of clean-cut foreign policies lies the great obstacle to wise national conduct. Many persons are conscious of this and have been hard at work on the task of discussion and persuasion, some in prophetic tone calling to high emprise,¹ some urging common sense and sound information,² some inclined to carping and suspicion. Aside from our political leaders and candidates, who have not contributed so clearly to the debate as might be wished, the interventionists have had the best of the battle of words without producing any victory of deed.

It is here, the writer believes, that the Anglo-American idea can be made to serve. Universalism, the goal of a world organization of free and peaceful peoples, with compulsory arbitration for all disputes, with a rising standard of living everywhere, with an international police force adequate to suppress international banditry, is a splendid ideal and will continue to be preached. But the realistic idealist will doubt that we are ready enough to start such an organization now and will remember that high hopes cast down breed cynicism and apathy. Will it not be better for the time being to limit our efforts to the fields where present activity and concrete problems force us to go; where our intervention will be in subjects that everyone can realize will matter to the United States directly? These fields, complex and difficult enough in all conscience, are quite largely those, in which we shall be in close contact with the British Empire.

In great colonial areas, where as a sea power, a supplier of machinery and trucks, and as a large consumer of raw materials

¹ *The City of Man: a Declaration on World Democracy*, New York, 1940; Herbert Agar, *A Time for Greatness*, Boston, 1942; Declaration on World Peace of Catholic, Jewish, and Protestant leaders, Oct. 7, 1943, *International Conciliation*, November, 1943, pp. 586ff.

² LIPPmann, *op. cit.*, is an example. Another persuasive and informing book is John MacCormac, *America and World Mastery*, New York, 1942.

such as rubber, tin, copper, and chrome, we are ever more deeply involved, there is already considerable mixing of Anglo-American affairs. In the West Indies, where a new sense of responsibility has resulted in wartime "development" grants from the British exchequer, there has been since 1942 an Anglo-American Caribbean Commission, which is now advised by a new West Indian Conference. In the Near East we are playing an active part in the Palestine-Syrian region and Arab affairs generally, though this was long a British and French preserve. The Italian colonial empire can hardly be settled without us; even in Belgian and Portuguese Africa we have growing interests; while Malaya and the Dutch East Indies can certainly not be dealt with by Great Britain, Holland, and China without reference to the United States.

The hardest question for the United States in the next few years, however, will be how much responsibility we shall take for the settlement of Europe and the German question. This is a matter of desperate consequence and infinite perplexity; it cannot be analyzed here, yet a few remarks must be ventured.

Europe immediately after the war—and we may throw in the entire British Empire for good measure—will be no danger to us in the application of direct power. We shall be and feel secure. But what of Europe after 20 or 40 years? That restless continent of interbred peoples, of intense nationalisms, of old hatreds and new ideas, shows no reliable signs of being on the way out. Energy, ingenuity, tenacity, organizing ability are formidably evident there, bound in with mass psychoses, and we cannot count on weariness, malnutrition, destruction of wealth, and disorganization to prevent its resurgence. Europe as a whole, it is well to repeat, is more populous, produces more food, is potentially more powerful, than the entire Western Hemisphere. Its day may be done, but we do not know; and one does not have to be a geopolitician to believe that its fate will go far to determine that of the rest of the world. The "war in another 25 years" that we so dread could happen if Europe goes wrong.

Here again it seems that American-British cooperation is the best answer to an all but impossible problem. If we fear, as well we may, a resurgent German imperialism, the mutual support of the Atlantic powers, who will also be air powers, would be as strong a warning against aggression as could be posted. Or if it is bolshevism, with or without the Russian armies, that seems to threaten, surely the strength of capitalist and democratic forces—or socialist-

democratic forces—in Germany and western Europe will be sufficient only if America and Britain are behind them. The United States and England, Holland, Belgium, Scandinavia, perhaps Italy, and possibly France, will stand after the war for individual values against the state, for democracy against totalitarianism, for evolution against revolution. So will the British Dominions; so, we hope, will the other United Nations and India. Why should Russia, which has had her revolution, not move in the same direction? Divisions enough there will be among the states of the coming years; let those who can stand together do so.

There need be no Anglo-American alliance, only cooperation. Even this will not be an easy partnership. Although really fundamental conflicts of interest and temper are lacking, there is no shortage of difficulties ahead. Some are probably still unforeseen; others are only too evident. To the British public the greatest question is how far American tariffs will permit England to resume her exporting and trading way of life. If she—and the other countries that buy from her—cannot sell to the United States, she will be unable to pay for imports from us and will have to turn to bilateral trade agreements, which prevent the free flow of international trade, and to the subsidizing of her own agriculture. We shall do well to remember that Great Britain is our best customer. With the question of tariffs are of course connected those of price levels, currency management, and exchange rates. British and American plans (those of Lord Keynes and Mr. White) were drawn up for discussion in 1943; though we may regret that their differences emphasize the difficulty of reconciling political possibilities with economic welfare, there is no reason why agreement cannot be worked out in a field where public opinion will hardly become very vociferous.¹

As touchy as the tariff, because seemingly a domestic issue, is the future of the American merchant marine. This is of consequence to the British because the profits of their extensive carrying trade were (in the period 1936–1938) contributing some 500 million dollars a year to their balance of international payments. Naturally a demand has already gone forth for “a merchant marine second to none” for the United States, but when Admiral Land on a visit

¹ Good nontechnical discussions of the first versions of these plans are by Peter F. Drucker, Keynes, White, and Postwar Currency, *Harper's Magazine*, July, 1943, pp. 177–85, and Jacob Viner, Two Plans for International Monetary Stabilization, *Yale Review*, Autumn, 1943, pp. 77–107.

to England said flatly that the American taxpayer would be asked to give such support to American shipping that Britain could not expect to recover her prewar share of oceanic carrying, the shock was unpleasantly felt throughout the kingdom. It is to be hoped that when these matters of sovereign policy are up for debate, our political processes will permit the broader views of international relations to be considered.¹

Somewhat similar, though possibly not quite so vital to Great Britain, is the future of the international airways. Here the British, thanks to the geography of the Empire, are not so completely at our mercy; furthermore, the subject is so obviously international that we shall be under less pressure to deal with it in strictly congressional terms, without recourse to diplomacy, than in the case of tariffs and shipping. Rivalry and bargaining there will undoubtedly be, but nothing likely to produce a serious rift.²

Ultimately, the importance of Anglo-American relations lies in their connection with world peace. It is the premise of the preceding pages that a world organization certain to keep the peace cannot be developed in the very near future and, consequently, that the relations of the sovereign great powers remain of paramount significance. Since the United States and Great Britain will together, for at least a few years, have predominant power over much of the globe, since there is no perilous cleavage between them, either territorial, economic, or ideological, and since neither is likely to become a deliberate aggressor, it is possible to think that the path toward world organization can be followed by them jointly. This is not to advocate an Anglo-Saxon world hegemony. That would be dangerous and is fortunately unlikely. But both will be safer together than separate, both are fundamentally conservative and antirevolutionary, both have strong elements who understand that in the long run the oneness of humanity and the equality of peoples is the only hope for civilization. In these facts lies the justification for continued collaboration.

¹ Postwar conditions are considered in Britain's Balance Sheet, *Fortune*, November, 1943; *ibid.*, December, 1943; and Howard P. Whidden, Jr., Britain's Postwar Trade and World Economy, *Foreign Policy Report*, vol. 19, pp. 254-264, Dec. 15, 1943.

² Anglo-American aspects are discussed by Edward Warner, Airways for Peace, *Foreign Affairs*, October, 1943, pp. 11-27; and Sir F. H. Page, The Future of the Skyways: a British View, *ibid.*, April, 1944, pp. 404-412.

CHAPTER XV

SOME REFLECTIONS ON RUSSIA AND THE FUTURE OF RUSSIAN-AMERICAN RELATIONS

SELIG PERLMAN

It would be futile to try to encompass the subject of Russia and its impact upon the United States in one brief chapter. That would require a degree of compression that would make the exposition well-nigh unintelligible to the nonspecialized reader. We shall therefore concentrate on a few special aspects of high strategic importance. We are first of all concerned with the sort of society the Soviet Union has become, including the dominant trend in her development; second with Russia's immediate "sphere of influence" in Europe; and third with the possibility of Russian-American postwar cooperation.

Democratic thinking often suffers from an overemphasis on the formal. This shows in the acrimonious discussion as to whether U.S.S.R. is a democracy, whether it is evolving toward a democracy, or whether it is merely Stalin's personal regime. Unless there is a visible line of authority ascending from the voters to those who wield authority, especially if the latter is one particular person, the regime is described in the discussion of the day as purely personal. Yet, by the same token, the czarist regime, with its Byzantine ideological roots and with the head-chopping orgies of Ivan IV and Peter the Great as its lurid high spots, was just such a personal regime. If historians did not so characterize the czarist Russia, it was not only because of its later lip service to a "rule of law," but primarily because under it the nobility, the servitors of the czar, even when compulsory state service had been abolished, was the class to which the highest value was imputed and to which therefore the monarch's ear was attuned. As the valued instruments of the czar, although not a "ruling class" in the sense in which the British nobility was such a class, the Russian nobility was a privileged order and the czar was the First Nobleman of his realm. What the serving nobility (*slushiloye dvoryanstvo*) was to the czars, the new "serving

class"—the technicians, civil and military—has become under Stalin, and Stalin is thus the First Technician of the U.S.S.R. In this connection his recent metamorphosis into Marshal Stalin is significant.

The first Soviet state under Lenin and Trotsky was a regime by intellectual revolutionaries who, having found a tailor-made Marxian proletariat ready at hand, owing to the unmitigated exploitation of the Russian factory workers, proceeded to mold it and put it through the paces of a perfect "revolutionary proletariat," the vanguard of the "world revolutionary proletariat." Stalin's "socialism in one country," a 1921 slogan, was a sober discounting of the immunity of the Western countries to an October revolution including the disinclination of the unionized and enfranchised Western "proletariats" to act the part forecast for them, as well as demanded of them, by Marx. For the ensuing four years, until 1928, Stalin was obliged to manipulate other intellectuals against the archintellectual Trotsky in order to achieve undisputed power in the party. Then came the Five-year Plan with its industrialization and agricultural collectivization. With this the ground was laid for a shift from the revolutionary politicians to a rising class of technicians.

The earlier technicians of the five-year plans were aliens either by country or by class. They were foreigners and pre-Soviet Russians. The latter were also convenient scapegoats for the bureaucratic blundering and for the superhuman burdens upon the population resulting from telescoping the British Industrial Revolution into a few years with a minimum of foreign capital resources. But underneath this "alien" layer there was maturing a Soviet technician class, from among the workers, state employees, and peasants. The ability impounded in the Russian masses, the famous *Russkaia Smekalka* (Russian ingenuity), was at last finding free access to technical training, and the combination was destined to astound a skeptical world.

In between the regime by old Bolshevik intellectuals and that by the new technocracy lay the phase of the Stalin bureaucracy in the party and in the country at large. It was only as the overlord of the Party secretaries that Stalin was able in the middle twenties to overcome the prestige of Trotsky within the party. The Trotskyite diagnosis of the Soviet state under Stalin as a bureaucratic workers' state was wholly correct. The bureaucratic character of the regime showed, for instance, in the reckless pace

of the collectivization of agriculture when the first Five-year Plan was launched—a pace so costly that Stalin felt obliged to call a halt on the zealots rendered “dizzy from success.” But the Trotskyites have failed to see the new generation of technicians, given their opportunity *educationally* by the Soviet state and *socially* by the long shadow of war and then war itself, emerging to replace the party bureaucrats and their purely strong-arm methods.

Another noteworthy thing was the failure of the purges of the thirties to dampen the ardor of the new technicians and to beget a universal fear to take initiative. Here perhaps the effective propaganda of the regime in depicting the purged as national traitors did an effective turn. Those promoted in the latter’s places reasoned that, since they themselves are not saboteurs or henchmen of Hitler, they had nothing to fear and the purges were thus a happy windfall assuring an earlier promotion.

The technicians, finding themselves the “chosen people,” felt scant impulse to take over power from the *Vozhd* (the leader), Stalin. As the developers of the “productive forces,” the “dynamo of history” according to Marx, were they not *ipso facto* the makers of the new world? Why bother with politics, including international politics, if you have a wise leader who is daily demonstrating his profound wisdom beyond any dispute by giving them carte blanche? As for the epoch-making decisions such as the Nazi-Soviet pact of 1939, the answer was *yemu vidnaye* (He from his point of vantage can see things more clearly).

How does a “technocracy with a *Vozhd*” actually work? The leader, with his “master’s eye” sweeping the whole vast arena and knowing that his prestige with his servitors is forever at stake, carefully listens to their suggestions and will not utter his decision unless he is certain that it will commend itself to them as wise. They, in turn, full of regard for his wisdom, endeavor to divine what is happening in his mind and guard against appearing too eccentric. There is thus a continuous psychic osmosis. The danger in such an arrangement is that the leader will surround himself with “yes men” who will try to impersonate independent thinkers, all the more successfully since the leader, being human, might have the “will to believe.” Against this there is no sure safeguard except happy chance and a real and continuous major danger from a false decision. In the instance of Soviet Russia, nature which created Stalin provided the one, and Hitler who first threatened and then invaded provided the other.

Thus Soviet Russia has passed through a double evolutionary development: on the plane of make-believe and also in actual reality. On the former plane it began with the Soviet constitution of 1918 in which popular elections were supposed to count and in which for that reason the worker's political specific gravity was multiplied by five as compared with the peasant's, ending up with the Constitution of 1936 where classes of all sorts were left behind. On the plane of actuality the dictatorship of the proletariat was first a dictatorship by the Communist party led by the Lenin guard of revolutionary intellectuals, subsequently by Stalin ruling through his party bureaucracy, and finally by Stalin and his technicians, military and civilian.

The rise of the technicians recruited from the "lower classes" is closely connected with the return to "patriotism." The old intellectual with his typical Western orientation and his globe-mindedness did not miss patriotism. However, the "children of the people" needed something more familiar than the world revolution for the emotion-stirring sense of belonging to a great collectivity. This patriotism alone could supply. The natural mental horizon of the man of "common origin" is the horizon of his motherland where the physical and social landmarks are to him unique and characteristic. Nor does he like to think of himself as a historical waif or castaway because the history of his motherland is presumed to be a mere record of barbarities and cruelties. On the contrary, he wants to honor his roots and to discover true heroes in the personalities who were the makers of the past history of his country. Hence the present idolization of Alexander Nevsky, Ivan the Terrible, Peter the Great, Suvarov, and Kutuzov. Lenin and Stalin form the summit of a long chain of historical heroes, and the Russian of today has thus acquired his equivalent of Richard Coeur de Lion, Henry VIII, Nelson, and George Washington.

Does this newly arisen technocracy denote the rise of a new "ruling class"? In a sense it does. It means that decisions are being made and will continue to be made without permitting the wishes of Tom, Dick, and Harry for more creature comforts and for a comfortable place in the productive process to balance management's drive for maximum achievement—the sort of balance found in strongly unionized industries under private capitalism. The Russian trade-unions, having been "promoted" into "organs of the workers' state" while charged with administering a welfare program such as social insurance, are scarcely fitted for the role of

ressing the average worker's view of a comfortable existence upon managements bent upon "catching up and overtaking" the West in technological development—if for no other reason than that all the Russian John L. Lewises and Walter Reuthers are in management and not in trade-union leadership.

For this reason Russian workers will be just as hard-driven as American lumberjacks were driven under a hard-fighting, hard-drinking boss bent on earning the reputation of the most efficient boss "on the river." A common social origin of the boss and his men, holding up the prize of promotion to Stakhanovite or his American equivalent, only renders the driving boss's task easier. Just as in pioneering America the acme of individualism was reached where the tasks were suffused with the glamor of doing the impossible, of beating heretofore unconquered nature's obstacles, so in Russia about to rise from its ashes the manager who spares neither himself nor those under him will personify an Americanlike individualism. It was no mental aberration that made Donald M. Nelson, chairman of the War Production Board and one of the Sears Roebuck top executives, recognize in the Russian managers whom he met on his 1943 trip his brothers under their skins! Moreover, unimpeded by any consideration for holding up prices, the Russian technocrats will be able to indulge their urge for ever more and more impressive production records, not exclusively at "prosperity peaks," but continually. In this sense socialist Russia bids fair to become the industrial pioneer's heaven.

Yet we have not answered the question whether Russian technocrats will constitute a new ruling class. That they will rule is undeniable, but will they also try to constitute themselves into a caste, a hereditary ruling class? Attention has been called to the great spread in income between the unskilled laborer and the top manager, a spread as wide as in the United States, and also to the possibility for private accumulation. It is clear, however, that no financial dynasties can result from such incomes and accumulations. It is more likely that the successful managers will employ their bonuses to acquire additional standing as Soviet citizens, as did, for instance, a manager of an agricultural collective in Kazakstan who presented a million rubles to the Soviet treasury. In a socialist society political capital is much less subject to devaluation and much safer to possess than material wealth. Furthermore, one can do more for the career of one's children through personal prestige and connection than through endowing them financially.

What is the likelihood of the technician class forming a cabal in favor of their own children and against the "cook's sons," to use a pre-Soviet Russian expression, reaching up to the higher rungs of the managerial ladder? Against this the absence of private business and of large inheritable wealth is hardly an effective safeguard. Parents are prejudiced in favor of their own progeny regardless of the form of the society in which they live. Moreover, the need for fresh blood may not be so obvious under a socialist system where an inadequate choice of management will not lead to bankruptcy but could be made good, provided one had the necessary political connections, through siphoning off profits from other public corporations. Does not this setup provide an ideal opportunity for a hereditary management caste?

The danger is not immediate even if one were to disregard the reactions of the "cook's sons" thus denied their opportunity. The reassuring factor lies in the boundless economic expansion that appears ahead of the Soviet Union. The guildlike attitude of "patrimony" (preference for the master's son in granting the permit to set up as a master) thrives where the dominant consciousness is that of a limited opportunity—in an economically static society. The guilds with their restrictions were undermined by the rise of modern business with its psychology of unlimited opportunity, leading on the one hand to an individualist impatience with the guild's restriction upon economic size and on the other hand to economic liberalism or freedom of enterprise to all who may wish to enter the lists. The industrial revolution clinched this development. It held until, in our day, chronic depression caused a psychological throwback to the consciousness of scarce opportunity which gave us among its fruits Nazism, economic nationalism, and economic walls around the American states and even municipalities through a variety of subterfuges to get around the Federal Constitution. Socialist Russia, still on the threshold of an industrial revolution of unprecedented scope, will for a generation at least find use for any talent, no matter what "connection" it may muster, and provide it with educational opportunity to boot. Thus the Soviet Union is likely to reproduce within a socialistic economic framework both the ruthless individualism and the personal liberalism ("let the best man win") of the post-Civil War America!

Economic discrimination in the capitalist countries frequently follows racial or ethnic lines. Witness the discrimination against Negroes, Jews, and to a lesser extent against other ethnic and

religious groups. In Russia, partly because "racial" consciousness had never taken hold even in czarist Russia—the persecution of "alien-believers" (*eenovertzi*) and "alien-born" (*eenorodtsi*) was official and not sanctioned by public sentiments either of the educated or the uneducated—and, partly because under Stalin she had embarked upon a solution of the nationalities problem along the line of cultural autonomy and perfect equality, that sort of discrimination appears extremely unlikely. Some of the regions of Russia most promising from the standpoint of industrial development, owing to natural resources and climate, are inhabited by those formerly classed as alien-born—notably Siberia and the region between the Caspian and the Aral Seas—which the major ethnic group, the Great Russians, themselves enter as migrants. The new Soviet patriotism is thus an all-embracing patriotism without any internal gradations as to the relative "worth" of particular ethnic strains to the nation as a whole.

THE NEW PAN-SLAVISM AND THE NEW "NARODNICHESTVO"

It is already possible to perceive the shape of things political and economic that are crystallizing in Russia and in Russia's sphere of influence in Europe. We have, on the one hand, the action by the All-Russian Soviet in reconstructing the government of Russia and, on the other hand, a number of official pronunciamentos bearing on Poland, on Bulgaria, etc. From now on each of the 16 federated Soviet republics is entitled to carry on negotiations with any of the other states of the world and to have an armed force of its own. Some people have hastened to compare this new Russia with the British Empire and its self-governing dominions. The identification is, of course, a fallacious one, since the British Empire, insofar at least as the dominions are concerned, comprises political entities of long development which are cemented to the mother country solely by the sentimental ties of their common loyalty to the Crown and to British culture. By contrast, in the Soviet Union, whatever the sentimental tie of a common Soviet patriotism, there is the tough structural-iron work of the Communist party, sovereign in every one of the 16 federated republics as well as in the U.S.S.R. as a whole. Furthermore it is extremely doubtful that Moscow is at all anxious to disguise the Soviet Union as a copy of the British Empire and therefore become entitled to 16 votes in some future world parliament. Moscow knows only too well that what counts in the last analysis is not voting strength but demonstrated power.

In reality, the constitutional change of February, 1944, aimed (1) at crystallizing the constitution of the Soviet Union itself, insofar as it is composed of a large number of diverse ethnic groups and (2) at paving the way for a "sphere of influence" in Europe.

Not much needs to be said under the first heading, as Russia's solution of the problem of nationalities is probably her greatest contribution to civilization, far greater than her "Communism."

The formal endowing of the several republics with the right of self-determination in the military and diplomatic spheres indeed looks like the ultimate terminal of the development that was initiated by Stalin many years ago when he was the Commissar for Nationalities.

As regards the constitution of a sphere of influence on the western borders of the U.S.R.R., the broadcast referring to Poland that came over from Russia shortly after the constitutional reform is very significant. It brusquely rejected any cooperation with the Polish government in exile in favor of a so-called democratic government of Poland and, what is more important in the present conjunction, it indicated that this democratic government when constituted should enter into diplomatic negotiations with the Ukrainian Soviet Republic, one of the 16 and only second in size to the Russian one—so that, between them, Poland and the Ukrainian Soviet Republic would solve the problem of boundaries. We need not assume that the intention is to incorporate a Polish Soviet Republic into the U.S.S.R., but surely what is intended is to have at least a satellite Poland. And in such a situation an Ukrainian Soviet Republic endowed with the power of making its own decisions in its foreign relations would appear a more plausible agency in negotiating with Poland than the whole U.S.S.R., a supergigantic mass as compared with the reinstated Poland.

But Poland is also cast for a more positive role in the program of the U.S.S.R. It is broadly hinted that she might be permitted to annex East Prussia, Upper Silesia, and Pomerania, and that such a Poland would become united with the U.S.S.R. as well as with Czechoslovakia in a common defensive front of Slavdom against Germany's *Drang nach Osten*. In other words, we have here the outline of a new Pan-Slavism of a kind. There would be, of course, a vast difference between the Pan-Slavism of the year 1944 and the Pan-Slavism of 1853 or 1878 of Nicholas I, Alexander II, and the latter's successors, because this newly reborn Pan-Slavism is based on a socialist internal order at least of its major constituent, and

eschews the subjugation of any of the ethnic groups as such, whether Slavic or otherwise, to the Great-Russian group, as under the czarist Pan-Slavism. The South Slavs and the Bulgars will be the same "sphere of influence" prolonged to the Adriatic and the Aegean.

But one must raise still another question. How about the internal social order in these satellite countries, whether these are firmly federated with the old U.S.S.R. or whether they are merely taking their foreign policy from Moscow while preserving their independence otherwise? What is the economic order likely to emerge after the war in the part of Europe most closely adjoining Russia? It seems that we can now say quite positively that private capitalism is already dead over the greater part of Europe. It may even happen that private capitalism will not be able to reestablish itself anywhere on the continent of Europe, but certainly a large slice of the continent, to the west of Russia, will no longer be able to harbor the economic system that characterized Europe during the nineteenth century and until a few years ago. European capitalism was finally killed by Nazism. The latter so churned up all the existing property rights that their restoration even approximately to their original owners is unthinkable. Second, on the morrow of the cessation of hostilities, Europe will present such a picture of destruction that its economic restoration will demand strictly coordinated and highly integrated programs of action which only governments can institute, not the so-called "free enterprise" or "private enterprise." And thirdly, private enterprise is finished in Europe, because Russia is an anticapitalistic state, and states adjoining Russia and in the role of her satellites will certainly not feel comfortable in their relations with their mighty patron if they continue to preserve capitalism as their basic economic system.

In this connection, the Czech attitude is highly significant. It is given in an article, *The Economic State of Slav Countries*, by Dr. Frank Munk, published in the official Czech bulletin. He said the following about the economic status in the Slavic countries:

Economic exploitation has been rampant until very recent years, and in some of the countries, *e.g.*, Poland and parts of Yugoslavia, has continued until the present. Accordingly, the impoverished peasants and factory workers, living in primitive and crude industrial environment reminiscent of the days of Chartism in England, are inclined towards more radical solutions than are those in the west. Capitalism has never really become acclimatized in the Slav countries. For the most part it was represented by foreign interests or by non-indigenous groups among the population.

Thus, large scale private enterprise has never enjoyed the prestige or played a role similar to that of private business in the United States or in England. Certain old types of communal property, such as the Russian *mir* or the Serb *zadruja*, may have predisposed the peasant to a more willing acceptance of communal or cooperative farming.

It is interesting that of all the Slav nationalities, the Czechs had been most closely intertwined with private capitalism. Although in Czechoslovakia the Germans and the Jews have played leading roles in her capitalist economy, the Czechs themselves were anything but "second-fiddle" people. Had Europe continued as in 1939, the internal regime in Czechoslovakia would have continued to resemble closely that of Britain and Sweden. But, of course, the 1939 situation no longer exists. Now Russia is the leading nation of Europe, and the Czechs being a very realistic and very clever people have already adjusted themselves to the new situation. In the article in question there are many compliments directed toward the English and the United States, but they are all just polite bows. The real conviction that stares at you is that Russia, and Russia alone, matters. And now since Russia, and Russia alone, matters, it therefore behooves the Czechs to talk like a Slavic people not only on the literary or intellectual plane, but on the economic plane as well; and so this Czech economist is bringing up a kind of social ideology which had its original home in Russia, the so-called *Narodnik* ideology, a socialistic Populism.

Who were the *Narodniki* in Russia? They were the original socialist intellectuals who had preceded the Marxists. They were the left-wing of the so-called "slavophiles." They took pride in Russia on the alleged ground that the Russian social institutions were superior to the contemporary social institutions of Western Europe. In Western Europe capitalism and class struggles reigned. They said,

In Russia, our social system is truly social, and is embodied in the village Commune, in which the land is not the property of any particular peasant or peasant family, but communal property, and the Commune administers the land by making proper allotments among the several families constituting the Commune in accord with equalized land-use.

This was held proof that the Russian peasants were natural socialists. The *Narodniki* continued,

But, we must proceed to improve the situation and to teach the Russian peasants to practice a rounded-out system of socialism. How? By teach-

ing them how to cooperate as producers, because in the village Commune the scope of its cooperation was yet limited to the administration of the land available and under it the peasant continued to cultivate the strips of land allotted to him as an individual and was the sole owner of the results of his individual toil.

Likewise, the Russian peasants were engaged in handicrafts. Russia really did have two systems of industry as distinct from agriculture: one domiciled in big cities in the shape of large factories under the organization of large-scale capitalism; the other, in which some 4 or 5 million peasants were engaged, was carried on in the peasants' cottages during the long winters where the peasants manufactured a number of consumer goods of importance, and for many decades these peasant producers were successful in competing against the products of the urban factories. Here, too, the *Narod-niki* proposed to teach the Russian peasant to cooperate in production. In other words, they were ready to carry to him a social program of voluntary socialism—not state socialism but voluntary socialism—in which there would be no place for the capitalistic wage system and all that went with it. This socialism they asserted was both desirable and congenial to the nature of the Russian peasant while capitalism was neither desirable nor congenial. And this socialism would be reached without passing through capitalism—in fact through by-passing it completely as unnecessary in the development of Russia toward socialism as well as a cruel ordeal for the Russian people. The Commune would thus be the foundation of a free and voluntary socialism.

The states, such as Czechoslovakia, that see themselves becoming the satellites of Russia realize that private capitalism is through and, wishing as they doubtless do to preserve their internal independence—*i.e.*, to have a way of life of their own rather than to be forcibly brought under the Moscow pattern of life—it is probable they should hit upon cooperative socialism as the only kind of an alternative institution that could possibly survive under a Soviet hegemony. In a way they will have hit upon a remarkable solution, because no social movement in Europe has stood up so well as the cooperative movement. It is being attested to not only by those who have made the cooperative cause their own, but also by Dr. Robert Ley, the head of the Labor Front in Germany. When the Nazis took over Germany, they cracked down upon the trade-unions but chose to court the cooperatives. However, they failed miserably to achieve their desideratum in this "soft" way as

far as the 4 or 5 millions of the workers' cooperators were concerned. At long last, in 1940, Ley said in a speech that the Nazis realized they had to destroy the cooperative movement since they could not win it over. Thus for a period of 7 or 8 years these cooperatives had continued their resistance to the Nazi power, and it takes more perseverance to continue resistance when one is not underground but aboveground! In the underground your contact with the enemy is only intermittent. Now what has made the cooperatives so strong and their membership so loyal and devoted? It is because they are a true synthesis of social planning and social purpose and are built upon the highest regard for the rights of individuals who are not regimented but encouraged to act freely. Those who do not cherish the Moscow pattern can thus look to the cooperative as a third alternative both to capitalism and to complete state socialism, since under the cooperative form of life one avoids both the irreconcilable contradictions of private capitalism and the regimentation of absolute state socialism.

To return to the Czechs. One might raise the question whether this sudden discovery of affection for the *mir* does not betoken a rebirth of the Russian *Narodnichestvo*—not indeed among the Russians who have abandoned it for the statism of Sovietism—but among the western Slavs who had shared in the individualistic traditions of Western Europe, including private capitalism. For now that they find that capitalism is for them definitely “out,” they seem to be reaching back to this home-grown pre-Marxian Russian socialism as the only type of social organization that could preserve individual freedom without rendering itself suspect as a springboard for a capitalist imperialism. So to sum it all up, it appears likely that while on the international front the Pan-Slavism of the nineteenth century is now finding a rebirth in the U.S.S.R.’s solution of its own ethnic problem and of the problem of constructing a lasting sphere of influence, so on the socioeconomic front we shall perhaps be witnessing not in Russia but to the west of Russia, a rebirth of the latter’s *Narodnichestvo* in the shape of a much expanded cooperative movement.

To be sure, not every industry can be brought under the cooperative principle. Certainly not the railroads, which must be administered if not by private industry then by the central government. Likewise, industries producing producer goods such as iron and steel. But the consumers’ cooperative movements of England, Sweden, etc., have, as is well known, gone beyond mere “distribution” and

have developed also their own productive establishments for articles for final consumer use. Accordingly in Czechoslovakia, for instance, which for the moment appears the most willing satellite of Soviet Russia, we are going to have not only an exclusive cooperative economy but also a state socialistic one. In farming, the Russian "collective" will be least applicable, in view of the private ownership of land by the peasantry, but cooperation is a "natural."

AMERICA AND RUSSIA AFTER THE WAR

Russian-American postwar cooperation depends, of course, on intelligent leadership in both countries. If we are to feel at all optimistic we must assume that. Yet leadership cannot shape situations from the ground up: it performs at its best when it does not overlook, either through prejudice or ineptitude, opportunities for constructive policy furnished by the objective situation. And the "objective situation" not only has a congealed historical hinterland but must also reckon deeply with attitudes, fears, and similar "subjective facts." The dominant subjective fact in the situation is America's fear of a communist contagion. Nations do not catch communism just through contact. They do so only when their national organism has been prepared by past history or by current developments to extend hospitality to that particular microbe or virus.

Why did Russia go communist in 1917 and 1918? In a way, of course, it was unforeseeable, but also it happened because the Russian body social lacked the resistance to an attack by revolutionaries from the left. Russia had never gone through a genuine development of capitalism. Russian capitalism was more or less a hot-house growth, fostered by the government, so that the leaders of Russian industry and business did not possess the capacity to present a unified front to any group that tried to attack them. They lacked the Darwinian traits and were more like a group of lobbyists. Their success in the past had depended on keeping on friendly terms with the officials of the government, rather than on developing their own forceful methods of dealing with economic and social problems.

Likewise, the peasants of Russia in 1917 and 1918 were not individual owners of the farms as our farmers or the peasants of Western Europe. They did not own the land individually, but collectively, and furthermore one-third of the more desirable arable land in Russia lay in large estates owned for the most part by members of the nobility. So in 1917 and 1918, when private property

was mentioned to the Russian peasant, he at once identified it with the property of the noble landlords, and he was against it because he was short of land, and he wanted his village to absorb the adjoining estates. For these reasons, Russian conservatism at the showdown proved an unshod mule.

There was another reason why Russia was open to a complete social revolution: the czarist government had denied to labor the right to form unions. From the standpoint of the social system in general, labor unions are a stabilizing factor. Because of labor unionism, working men acquire something worth troubling over. When his wages rise, his working conditions improve, and he has some kind of claim to his job, he ceases to be revolutionary.

Very many years ago a wise German advised the government of his age to make each of the well-known European revolutionaries a gift of a very expensive set of china. Then, he said, they would be afraid of a shake-up and would tone down. That is what unionism does to a wage-earning population. We, as contrasted with old Russia, have that safeguard to the stability of our economic and social system.

There is another point: Does our immunity to a proletarian revolution have to remain under constant testing from Soviet Russia as an active center of contagion?

The Russian revolution broke in October, 1917, as the first installment in a world-wide revolution. That was the original intent and purpose of the makers of the Russian revolution—Lenin, Trotsky, and the others. But, as said above, by 1923 and 1924, after the leaders of Soviet Russia had vainly done their utmost to stimulate revolutions in the western countries of Europe, some of them—notably Stalin, who is a practical man—had arrived at the following attitude:

We are not publicly going to abjure our allegiance to the world revolution, but we are going to act as if that objective had become a mere theoretical objective. We are not going to fritter away our resources—military, economic, and human—on a world revolutionary front that is a hopeless front. We are going to try to build Socialism in one country, that country being Russia, comprising one-sixth of the globe, and consequently offering plenty of elbow room to anybody who wants to build anything.

That was the great turning point of the Russian Revolution. Sometime around 1924, then, Russia turned in fact from being a mere military base for world revolution to a country where great

construction, social as well as technological, was about to take place. The technological construction began on a large scale with the first Five-year Plan in 1929 when Stalin had managed to overthrow all his enemies within the Communist party and to emerge as a dictator of the party and of the country. Eventually, as shown above, came the next stage—Soviet Russia a “Technocracy with a *Vojd*,” eager to “overtake and to surpass” the technologically advanced West.

Now, let us look at the postwar economic situation from the American standpoint. In the last 2 or 3 years this country has undergone a tremendous industrial expansion. The investment made in new plants and productive capacity by the government alone probably is around 15 billion dollars. This investment specialized in basic materials and other producer goods lines. These industries, as revealed during our difficult struggles to bring prosperity back during the thirties, are exactly the industries most exposed to the hazard of fluctuation in market demand. Hence, having absorbed perhaps two decades' growth in 3 years, we have simultaneously increased our exposure to depression. We know from our recent experience that prosperity is impossible without heavy activity in the producer goods industries.

Therefore, it seems that it behooves us to follow in the footsteps of Britain and to be thinking seriously about how to keep at work this strategic part of our industrial establishment, which in its very nature is poised to serve expansion. If our own expansion has been temporarily placed under a mortgage by the wartime necessity of overdraft, we must seek to connect up with expansion elsewhere.

In Russia we have a country which, notwithstanding her tremendous industrialization since 1928, is still on the mere threshold of her full industrial and economic expansion.

We know now that Russia did not succumb after the *blitzkrieg* of 1941 involved her in terrible military disasters because she had prepared beforehand a new industrial empire, an empire located inside and behind the Ural Mountains. It was her new industrial empire, manufactured from the ground up since 1930, that was responsible for giving Russia her second chance. Primarily, of course, because of her geographical position, she could trade space for time. But geographical position was not enough; it was that great industrial empire which she had constructed in the last 10 years or so. Yet in comparison with the future potentialities it was merely a beginning. Added to that is the need to restore the productive capacity destroyed by the war. It would seem, therefore,

that Russia is the very market we need for our industries exposed to the greatest economic hazard.

However, trading with Russia is not like trading with a foreign country in the nineteenth century. Russia does not have private capitalism but a system of state or governmental enterprise. Consequently, our industrialists could not deal with Russia merely on an economic plane as individual corporations. New methods would have to be devised, especially for financing, since our private investors including corporations might hesitate to make the necessary long-time commitments. This would bring in the government as the custodian of the country's prosperity.

We have no sword big enough to brandish over Russia, but we can deeply influence her foreign policy, her plan for Western Europe, and for certain portions of Asia, by the inducement of assisting her in her economic restoration and expansion. Our economic necessity might thus become the foundation of our diplomatic opportunity.

CHAPTER XVI

THE PEOPLES OF GERMANY

HOWARD BECKER

I

Many Americans are involuntary Nazis in reverse. Under the spell of Goebbels, Rosenberg, and literally thousands of small-fry propagandists, rank-and-file Nazis and a considerable proportion of Germans who are not Nazis at heart have come to think of the German "race" as a Leviathan whose organs all gain their vital force from the same "blood." "The master race" not only holds itself to be master, but genuinely regards itself as a "race." Those Americans who are unwittingly Nazis, with a minus sign of course, scoff at the idea of Germans or anyone else as masters, but they do tend to think that all Germans are chips off the same block, biologically speaking. This is absurd; the dwellers in the land between the Rhine and the Vistula represent a hopelessly scrambled assortment of most of the racial strains and breeds of Europe.

Moreover, we have not shaken off the grip of negative Nazism as long as we overrate germ plasm. Even if Germany were of definitely Nordic strain from garbage picker to upper-crust noble, there would still be tremendous variation in outlook on life, military spirit, and a thousand and one other aspects of conduct with which the genes and chromosomes have little or nothing to do. Germany is a conglomerate of classes, castes, and peoples, ranging all the way from the Black Forest peasant laboriously tilling a tiny plot in summer and carving wooden cases for cuckoo clocks in winter, to the lordly Pomeranian *Junker* herding his Polish laborers across wide fields of rye. We have no trouble in grasping the fact that a Gloucester fisherman is not quite the same as a cowpuncher from the Panhandle, even though they both are descendants of the same "old American" breed. Between one German and another the contrast may be even greater, in spite of their common physical likeness to Göring or Hess.

Chatter about "the German race" is therefore—chatter. Those who talk in such vein are just as silly as, if less vicious than, the Hitlerians who use "Aryan" as a biological term when it really refers only to peoples speaking one or another of the Indo-European languages. There is no demonstrable connection between language and race, just as there is no scientifically provable link between religious, economic, political, or other social conduct and race. Americans who talk about Germans as "aggressors for a thousand years"¹ not only thereby exhibit their historical ignorance but also manifest ideas of racial determinism on the same level as the Nazi dogma that the Jews represent a biological group having "racial unscrupulousness, craving for money, and duplicity." The Jews are merely a people, *i.e.*, a group having had a relatively definite set of social practices over a fairly long period. To be sure, in some regions they possess a larger proportion of Hittoid or Armenoid blood than do other peoples in the same regions, but that is the most that can be said. Similarly, the peoples who speak German have a higher frequency of some strains of European blood than do some other Europeans, but to be a German, after all, is to be a member not of a race but of a congeries of linguistic-social units that has undergone radical changes in the past and may undergo equally drastic alterations in the future.

If these facts were once clearly recognized, we might deal more intelligently with the question of "What shall we do with Germany?" than now seems likely. We could then properly evaluate gentlemanly simpletons from Vansittart² down (or up, as the reader prefers). It is high time that we inform ourselves about Germany and Germans from reliable sources.

What has just been said, however, is mere dogmatic assertion, not one whit better than the black marks on the wood pulp it contradicts. Postwar guidance of American policy must rest on evidence. Let us therefore examine some evidence, following the main points set forth above.

II

Restating: Race in the strict sense is merely a biological term. Every important physical anthropologist and geneticist outside of

¹ BRICKNER, RICHARD M.: *Is Germany Incurable?* pp. 30 *et passim*, Philadelphia, 1943.

² VANSITTART, LORD: *The Black Record of Germany: Past, Present and Future*. New York, 1944 (1st British ed., 1941).

Germany, ranging from the Swedish Gunnar Dahlberg¹ to the English Julian Huxley,² agrees in substance on this definition:

A race is a great division of mankind, the members of which, although individually varying, are characterized as a group by a certain combination of morphological and metrical features, principally nonadaptive, which have been derived from their common descent.³

The stress, it will be noted, is on "morphological and metrical"; only those external traits to which calipers, color scales, and meter sticks can be applied are relevant. There is no effort to deny differences between the major divisions of mankind, but the definition clearly evidences an unwillingness to go beyond these readily measurable biological traits.

Further, most competent investigators of things racial are exceedingly cautious in their use of the very word "race." It may mean a broad classification based on skin color, for example, including within it extremes of stature or head form.⁴ For this reason, along with many others, the category of race is frequently divided into three or four concepts of progressively diminishing scope. Stocks, strains, and breeds is a useful three-way split which we have adopted here.⁵

The stocks are ruddy or white; Mongoloid (with the Indians of the Americas closely allied or identical); Negroid (with the Negritos as an auxiliary classification); and Australoid.⁶ These classifications are really nothing more than big pigeonholes; it should not be assumed that strains and breeds are mere mixtures of stocks. In fact, it is entirely probable, on the basis of present archaeological and other evidence, that the stocks, once called "primary races," are mere specializations of earlier and less sharply

¹ DAHLBERG, GUNNAR: *Race: Reason and Rubbish*, New York, 1942.

² HUXLEY, JULIAN, and A. C. HADDON: *We Europeans*, pp. 2-6, London, 1935.

³ HOOTON, EARNEST A.: *Up from the Ape*, p. 397, New York, 1931.

⁴ See the informative chapter in C. S. Coon; *The Races of Europe*, pp. 274-296, New York, 1939, showing the great number of ways in which even the European stocks, strains, and breeds have been (and now are) classified.

⁵ LINTON, RALPH: *The Study of Man*, pp. 37-40, New York, 1936, has a classification closely parallel to ours: "race" as the major category, and "stock," "race," and "breed" as subordinate classes. Here, however, it seems wise to avoid possible ambiguity by substituting "strain" for "race" in the subdivision.

⁶ Here we follow LINTON, *op. cit.*, pp. 40-44, except that we have added Australoid to his three main divisions.

diversified types of mankind. If man's ancestors reached the human level in southeastern Asia, as now seems probable, there may have been only one stock from which all others slowly developed. In other words, it is likely that there have never been any "pure races" from which others have developed by a process of mixture; on the contrary, the well-marked stocks, strains, and breeds now existing probably are merely siftings-out of types especially adapted to varying climatic conditions and/or engendered by inbreeding of variants.

Strains are subdivisions of stocks. For example, one can speak of an Alpine strain of the ruddy stock. Most of the Nazi talk about races actually refers to strains; the Armenoid Jews are just as clearly a strain of the ruddy stock as are the Nordics.

Breeds are still finer fragments, referring particularly to those groups which have been so isolated and have been inbred so closely that the members are quite distinguishable from other units of the same strain. Instance: Fehmarn islanders, living near the coast of Schleswig-Holstein, are a well-marked breed of the Borreby strain of the ruddy stock. Europe abounds in breeds of various kinds, even in this day of extensive intermingling, although beyond question the shifting of populations that has gone on of recent years has checked the full emergence of some new breeds and has markedly diminished the number and definiteness of numerous old ones. It is among the breeds that the range of human variation reaches its extreme; note the fact that certain Scottish Highlanders in remoter districts well exceed the average height of the Nordic strain, and that certain Portuguese in outlying villages fall far below the ordinary stature of Mediterraneans. When we scan mankind as a whole, we encounter on the one hand startling breeds such as the Dinka Negroes, among whom many males are well over 6 feet 6 inches, and on the other the diminutive Bushmen who rarely get beyond 4 feet 6 inches.

In spite of all this, human beings represent a single species, for the members of every known stock, strain, or breed are fertile with all others, and the resulting hybrids are fertile. Moreover, the distribution of blood groups 0 (zero), A, and B follows geography rather than race; therefore, the blood of a Negro of type A can readily be transfused with that of a Mongoloid, let us say, of the same type with no ill effects.¹ Incidentally, this is the reason

¹ HOWELLS, W. W.: Physical Determination of Race, in Barnes, Becker, and Becker, eds., *Contemporary Social Theory*, pp. 271-276, New York, 1940.

why the segregation of Negro blood in blood banks, as currently practiced in the United States, is scientifically just as nonsensical as Nazi outcries about the ineradicable taint imparted by a Jewish grandmother.

Paul of Tarsus was certainly no scientist. Neither he nor any other biblical figure adds any weight of authority to what we are saying. Nevertheless, it is not amiss to point out that he spoke more scientifically than he knew when he said, "God hath made of one blood all generations of men."

III

"The myth of the twentieth century"¹ runs counter to any such assertion. The Nordic gospel, most ardently propagated in Germany by the East Baltic Arthur Rosenberg, not only makes the Nordic strain preeminent but proclaims that "mixed races" are inevitably degenerate or even subhuman. Going further still, Nazi ideologists proclaim that even "pure races" of stock other than ruddy are in varying degree below the strictly human level, and that strains such as Mediterranean or Armenoid are not properly to be classed with the lordly north Europeans who owe their superiority to their predominantly Nordic germ plasm. Of course, Rosenberg is only one of the later and more vociferous exponents of this ideology: the Frenchman Arthur de Gobineau,² the renegade Englishman Houston Stewart Chamberlain,³ and the "old Americans" Madison Grant⁴ and Lothrop Stoddard⁵ have shouted the same slogans. In short, "the myth of the twentieth century" has been and is an article of faith in many countries other than Germany; the Nazis and their anti-Semitic—indeed anti-everything non-Germanic—predecessors in Deutschland have merely given wider currency and tighter systematization to an old story.

Well, if we were to take this story at its face value, just in a spirit of good clean fun, where would the inhabitants of contemporary Germany line up? Günther, the pseudo-scientist who has lent a flavor of respectability to dogmas slightly unpalatable when pro-

¹ ROSENBERG, ALFRED: *Der Mythos des 20. Jahrhunderts*, Munich, 1930.

² GOBINEAU, ARTHUR DE: *The Inequality of Human Races* (first published, 1854), translated by Adrian Collins, New York, 1915.

³ CHAMBERLAIN, HOUSTON STEWART: *Die Grundlagen des neunzehnten Jahrhunderts*, Munich, 1898.

⁴ GRANT, MADISON: *The Passing of the Great Race*, New York, 1916.

⁵ STODDARD, LOTHROP: *The Rising Tide of Color against White World-supremacy*, New York, 1921.

claimed by persons like Rosenberg (who does not possess the resplendent title of "expert"), grudgingly says that not more than 10 per cent of his beloved Germans are clearly Nordic.¹ Blithely disregarding his own statements about the inferiority of mixed races, he hastens to add that Nordic blood, in varying degrees of dilution, runs through more than 60 per cent of the German strains and breeds.² Alas for Günther! Other German anthropologists less in favor with the party regretfully announce that the figure probably should be no higher than one-third. "But," chorus Günther and his German detractors in unison, "the non-Nordic strains and breeds of the new heaven on earth are almost as good as the godlike Nordic." Hence East Baltics, Borrebyns, Alpines, Dinarics, Neo-Danubians, and even the uncomfortably French-or-Italian-like Mediterraneans can be accepted as part of the German folk-community when they dwell within it as Germans. Why? Because they have Nordic "souls" even though their eyes and hair may be dark and their heads round.³ Thus it becomes possible to accept a supreme leader who is brunet and brachycephalic; the Dinaric Hitler, *Gott sei dank*, has that indispensable, blond, long-headed *Seele*.⁴

Leaving this indwelling Hitlerian essence out of account, if so crass an omission may be pardoned, let us try briefly to sketch the major strains and breeds of the Nazi Valhalla.⁵ Nordics are easy: blue eyes, blond hair, long head, tall stature, slim build. Borrebyns are like Nordics in color, although red hair is somewhat more frequent, but they are big-boned, heavily muscled, and roundheaded.⁶

¹ GÜNTHER, H. T. K.: *Rassenkunde des deutschen Volkes*, p. 207, Berlin, 1923.

² *Ibid.*, p. 208.

³ Paul de Lagarde, one of the patron saints of Nazism, said, "Das Deutschtum liegt nicht im Geblüte, sondern im Gemüte" ("Germanism does not lie in the blood but in the sentiments").

⁴ In 1934, one year after the "seizure of power," the present writer was in Cologne and picked up, in a restaurant, a current issue of an illustrated weekly published in that city. The center spread was an array of photographs, with a paragraph of comment, of "great brunet Germans." At first glance, I thought that the display of Goethe *et al.* was a bold attempt to contradict Nazi racial doctrine, but a different purpose was soon apparent. The commentary was devoted to the point that all these great brunets unquestionably had "German souls"—*ergo*, nasty remarks about Hitler's coloring were not only disloyal but also "unscientific."

⁵ Here we lean heavily on Coon, *op. cit.*, pp. 279-296.

⁶ Brünns, a closely related breed, differ in only one major respect: they are prevailingly longheaded. Although present in Germany, they are most

Also somewhat like Nordics in hue, except for more frequent "dish-water blondness" and lack of blue-eyedness, are the Norics, but these unhappy folk likewise have the round heads with which no true Nordic is ever equipped. East Baltics have the saving trait of blondness, but the hair is thick and stiff, stockiness is pronounced, bones are coarse, and cheekbones and jaws are massive. To the disrepute of the Prussian *Junkers* such as von Uexküll, it must be said that many of them are just as clearly East Baltic as are those Lithuanian peasants who lie beyond the confines of Germany the blessed. Embarrassingly enough, this is also true of Neo-Danubians; they are so strongly represented in Poland that their German counterparts, with broad cheekbones and globular heads, have trouble in fully identifying themselves, except by way of the soul, with the "true Germans." The Dinarics have even greater difficulties, for they are almost uniformly brunet, and the head is so short that in the back it seems to form a nearly straight line with the neck. Add to this coarse bones, prominent joints, and thick brownish skin, and you have a real problem for the folk-community, more especially because as a small minority (except in Austria) the Dinarics are readily noticeable. Alpines, likewise brunet and roundheaded, are not afflicted by such high visibility, for they are so numerous in most parts of Germany that they are taken for granted and their Germanic letters patent cannot so readily be questioned. True, they are short and swarthy, their noses are sometimes most inelegantly snub, and the women in middle age are often "stylish stouts." Still, to paraphrase Lincoln, "Wotan must have loved the Alpines, for he made so many of them." The Mediterraneans also put in their disconcerting appearance; many a Palatiner, Rhinlander, or Hessian has the large liquid brown eyes, wavy or curly brown hair, small bones, and short to medium stature of a strain which is admitted to the Pantheon of Germanism only because it has had its roots in the holy soil along the western boundary for so long that to banish its claim would be to cease the singing of *Die Wacht am Rhein*.

As if this motley array of creatures into which a German soul may be infused were not enough, the strains and breeds are mixed in every possible combination. It is indeed too bad that Wotan

heavily represented in Norway. Borrebys and Brünns together are classified by German writers as *Fälisch* (from *Westfalen* and *Ostfalen*). Some non-German anthropologists use "Dalo-Nordic" as a term for the Borrebys.

did not read *The Myth of the Twentieth Century* before manifesting such regrettably catholic taste in procreation.

IV

Wotan may be pardoned, however, for truth to tell, not all modern Germans have thoroughly absorbed *The Myth of the Twentieth Century*. Whether as a result of that regrettable omission or not, it is also true that, where their own fellow countrymen are concerned, Germans do not readily think in terms of strains and breeds—except, of course, when they attribute racial characteristics to those of Jewish faith. Nordic, Alpine, and the rest of the array of terms, although used in somewhat disguised form by German students of racial matters, have never been parts of folk speech,¹ and the vigorous efforts of the Nazis have not appreciably altered the situation. Instead, the ordinary German makes his distinctions in terms of peoples: Westphalians, Pomeranians, Bavarians, and the like.² In so doing he shows a considerable amount of common sense, for these are about the only lines that can be drawn between one German and another with any degree of precision. In the



¹ This remained true throughout the thirties, in spite of intensive instruction in the elementary and secondary schools.

² This is clearly shown all through the symposium edited by Martin Wöhler, *Der deutsche Volkscharakter: Eine Wesenskunde der deutsche Volksstämme und Volksschläge*, Jena, 1937.

balance of this paper the same everyday practice will be followed, but before going too far, a few warnings must be issued.

First of all, the regional divisions mentioned above are clearly evident, when they are noticeable at all, chiefly among rural peoples—or those with a recent rural background—which means not more than one-third of contemporary Germans.¹ The growth of the urban proletariat from the nineteenth century onward, the increasing uniformity of city life among the middle classes, and many other factors have blurred the outlines of regional traits for the greater part of Germany's population.² Again, the characteristic imputed to dwellers in this or that region by fellow Germans are not always discoverable by detached observers. Here as elsewhere stereotypes are numerous and misleading. Once more, some Nazis, eager to exalt the peasant as the source of all that is good in Germanism, have overstressed his peculiarities.³

Not only this: The Nazis have fostered the study of the unique aspects of rural life and have endeavored to convince the peasantry of its supreme mission as bearer of "the Germanic folk-soul."⁴ Usually such propaganda has had a racial undertone and purpose, but there can be little doubt that, in addition, sops have been thrown to local pride. Centralization has reached an extreme degree, and many a dweller in Upper Saxony or Hessa has bemoaned the loss of regional autonomy. What can be better calculated to pacify such malcontents than the assurance that they are bearers of unique values which can be preserved only by their own zealous devotion to the things that immediately concern them?⁵ In effect, they are told to leave the major issues of national policy where they belong—in the hands of their all-wise leader—and to give heed to the preservation of their admirable and essential localisms. Societies for the wearing of folk costumes and the singing of dialect ditties are given enough busywork to keep them from becoming

¹ GÜNTHER, H. F. K.: *Das Bauerntum als Lebens- und Gemeinschaftsform*, p. 21, Leipzig and Berlin, 1939.

² *Ibid.*, p. 24.

³ Günther, whose book on the German peasantry is cited in the notes at the end of this paper, is forced to do this in spite of his ardent propaganda, in another treatise likewise cited, for race in the biological sense as basic to "German character." City Nordics, according to Günther, are vastly inferior to country Nordics—race goes glimmering.

⁴ Günther writes this peasant-exalting nonsense, "Ob nicht 'deutsch' so viel bedeutet als wie 'im Kerne bäuerlich'?" (whether "German" is not an equivalent of "essentially peasant"?) p. 55 of *Das Bauerntum*, etc.

⁵ *Ibid.*, pp. 322-346, Chap. IX, *Die Lebenswerte des Bauerntums*.

politically troublesome. Finally, even the detached observer may fall prey to romantic prepossessions; archaic wedding ceremonies, quaint dress, and outmoded terms of speech have a fascination that makes mountains out of molehills.

Nevertheless, it can still be said that, for about one-third of the German population, definite regional differences can not only be found but actually intrude themselves.¹ Sometimes a short journey of 20 miles carries the observer from a region where the drink is wine, the speech is without marked pitch variation, and the religion is Catholic, to another where the *Stammtisch* is graced only by beer, the dialect is lilting, and Lutheranism holds sway. There are very few European countries within which those entities called "peoples" are more persistent and readily distinguishable than in Germany.²

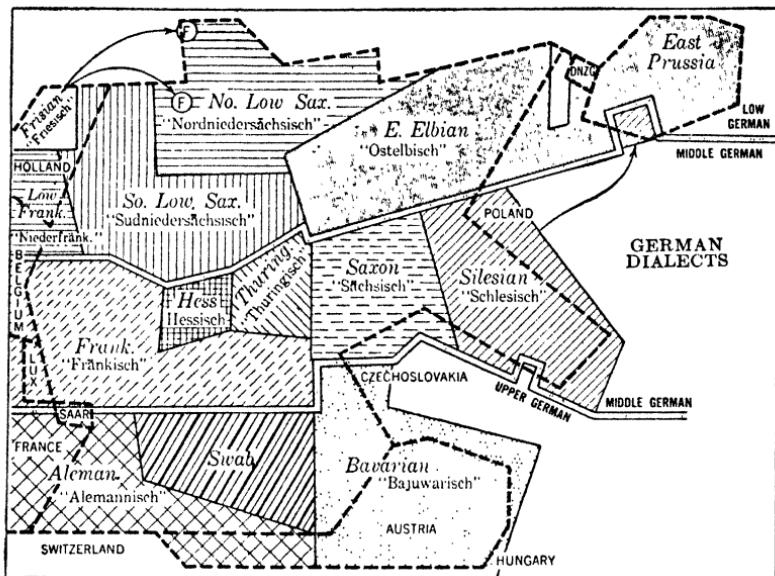
With reference to the main theme of this chapter—namely, what to do with Germany and the Germans at the close of the present conflict—it is perhaps well to anticipate some of our conclusions at this point. Marked regional differences there unquestionably are; the Nazis have recognized and fostered them for their own purposes.³ It would be a mistake, however, to assume that these variations are so far-reaching that it would be easy to split contemporary Germany into a number of smaller national states. Beginning effectively in 1870,⁴ growing in momentum in 1914, and enormously accelerated after 1933, the rolling onward of a Jugger-naut-like sense of German unity effectively flattened political particularism in virtually all German areas except Bavaria, and even there it lost its earlier clear-cut form. In other words, the localisms that survive are important, but they probably provide few if any crevices for wedging apart a nation that has been so long consolidated that, for better or for worse, it must almost certainly be dealt with as a whole.

¹ GÜNTHER, *op. cit.*, pp. 11-12, 17-18.

² As already intimated, a people is a unit based on common territory, language (or dialect), and shared values of moral, religious, economic, and/or political character, and has no demonstrable connection with biological traits as such.

³ Note the "for their own purposes." *Gäue* were substituted for *Länder* in order to break up political particularism; sociocultural particularism was then fostered as a "just-as-good-or-better" substitute.

⁴ Of course, the Paulskirche gathering at Frankfort in 1848 was a precursor, as were likewise the conventions of students and scientists during the period of Napoleon I.



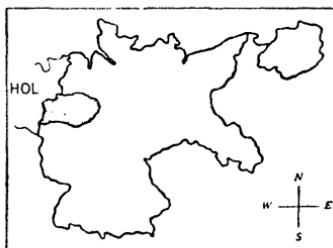
What then is the significance of a topic such as "The Peoples of Germany"? Simply this: During the period of military occupation following on the heels of the defeat of the German armies in the field, exact knowledge of the way in which differing Germanic types may be expected to respond to American military administrators of civilian affairs is vitally necessary. Swabians and Pomeranians alike may join in the singing of *Deutschland über Alles* or, if that is prohibited, may think and feel in unison along the same lines, but anyone who tries to handle Swabians in the same way as Pomeranians will find that he has guessed wrong most of the time. This should occasion no surprise. As between a Georgia cracker and a Maine guide striking differences in personality attributable to contrasting regional backgrounds unquestionably exist, yet no one would expect to open a cleft between them merely because one thinks that *Marching through Georgia* is a "nice tune" with humorous words and the other despises the damyank who sings it at the wrong time. The loyalty of both men to the United States is unquestionable, but would any officer in his senses try to control both men by using exactly the same set of symbols under all circumstances? Military effort is not exempt from the principle of economy of means. Why do things the hard way? Why not try to do whatever has to be done to or for Upper Saxons and East-

Prussians with the minimum expenditure of men, money and materials?

Let us therefore examine the various peoples of Germany in detail. We shall move across the country from west to east three times, each trip carrying us farther toward the south.

V

Westphalia¹ lies in that part of northwest Germany bordering on eastern Holland, and in consequence joins in the gradual slope toward the sea; only in its southern and southeastern portions do rolling hills appear. It has a moderate ocean climate, with considerable moisture, and therefore has "solid" types of agriculture (rye, potatoes, dairying, etc.). Vineyards and orchards are conspicuous by their absence.² In the southwest there is much coal and its accompanying industrialization; here lies a part of the famous Ruhr territory (the rest overlaps into the Rhineland).



Inhabitants of the country districts are Nordics, Borrebys, and a sprinkling of Alpines and Mediterraneans, but in the cities so many East European laborers of Neo-Danubian strain were employed long before the Second World War that "Polonization" was often an outcry.³ Speaking primarily of the rural inhabitants, as will be our general practice, the dialect is southern *Plattdeutsch* (Low German).⁴ The land holdings are of medium size and are characteristic in that they take the form of isolated farmsteads ("dispersed settlements," technically speaking). Most of rural Germany is settled by villages from which the peasants go out to

¹ The most useful recent treatise is *Der Raum Westfalen*, issued by the Provincial Administration of Westphalia, Berlin, 1931. Particularly helpful is the chapter by P. Casser, *Das Westfalenbewusstsein im Wandel der Geschichte*.

² This was recognized long ago by the first writer, apparently, on things Westphalian, W. Rolevinck, *De laude veteris Saxoniae, nunc Westfaliae dictae*, 1478 (German translation by L. Trosz, Cologne, 1865). Rolevinck says "Westfalia terra est non vinifera sed virifera." Quoted in Wöhler, *op. cit.*, p. 44.

³ Prof. Brook (Brück), formerly of the University of Münster, called this to the writer's attention. As he puts it, "The telephone books of Dortmund (in the Ruhr) have strings of Polish names that remind one of Posen."

⁴ For dialects, see Hofstaetter and Peters, eds., *Sachwörterbuch der Deutschkunde*, 2 vols., Berlin, 1930.

till their surrounding plots, whereas Westphalia has more resemblances to the separate farm and farmhouse pattern of New Hampshire, let us say, than has any other part of Germany.¹ There is intense allegiance to the ancestral estate, and inheritance laws help to keep that estate intact. When a lad marries, he chooses an assistant farm manager and bearer of heirs rather than a sexual partner *per sc.*² The ties of neighborhood are strong, but they do not rest so much on kindness or fellow feeling as on the attitude of "If you help me as I help you, neither of us will be at the mercy of wind and weather."³ Except for the radicals of the Ruhr fragment, Westphalia has always been politically conservative; this is a direct reflection of profound social conservatism.⁴ Family life is rigidly patriarchal, and there is great insistence on traditional rights. Children are seen and not heard, and wives revere their lords and masters—even though the more able women may shrewdly "manage" their husbands now and again.

Folksong is widely diffused but is not so rich and varied as, for example, in the Rhineland. There is not much graphic or plastic art, and what there is is not particularly colorful. This is true even of the Catholic localities; Westphalians of that faith refer contemptuously to the devotion to "tinsel and colored trash" which they attribute to their coreligionists of southern Germany.⁵ This is not due to absorption of Lutheran influence, for Westphalia has a high proportion of Catholics—458 per 1,000 in the 1939 census. Münster, one of the chief cities, is over 80 per cent Catholic. Westphalian Protestantism, as elsewhere in Germany, is overwhelmingly Lutheran; the short Anabaptist episode left few if any traces.

Subservience to authority, a trait supposedly characteristic of all Germans, is not prevalent in rural Westphalia; most Germans regard the inhabitants of the region as second only to the Frisians⁶

¹ Of course, much of northwestern Germany, and the Alpine Foreland as well, has dispersed settlement in some frequency. Westphalia and Lower Saxony, however, have by far the heaviest proportion, with a relative scarcity of other forms.

² "Kaup Naobers Rind, frie Naobers Kind, dann weet man, wat man sind" ("Buy neighbor's cattle, marry neighbor's child, then you know what you are") is a widely practiced proverb.

³ *Ibid.*, p. 52; Max Weber, *Wirtschaft und Gesellschaft*, pp. 197–200, Tübingen, 1922.

⁴ WAHLER, ed., *op. cit.*, p. 51.

⁵ *Ibid.*, p. 53.

⁶ Not considered separately here, although also mentioned in the discussion of Lower Saxony. See Wähler, *op. cit.*, chapter by Herman Lübbing, pp. 59–68.

in their independence of outlook. This may be the result of the fact that the Westphalian peasants have long enjoyed relatively favorable conditions; in the late Middle Ages only from 2 to 5 days of yearly service to the lord of the manor was required, while in other parts of Germany as much as 1 or 2 days a week was the rule.

Another striking aspect of Westphalian mentality is restraint, sometimes reaching to taciturnity. Freiherr vom Stein put it thus: "When you ask a Westphalian a question, he prefers to answer tomorrow rather than today."¹ Along with this goes a certain heaviness in social relations and a kind of humor that is broad rather than witty. In conversation he is direct to the point of bluntness; in the words of Rolevinck, "The more brusque a Westphalian is, the more closely he has approached his ideal of politeness."² Certainly he is the direct antithesis of what he derisively calls "French manners."³

Westphalian social and political conservatism leads to suspicion of the new, and the Nazis had to disguise their doctrines in the robes of antiquity before they met with wholehearted acceptance from the people whom Bismarck thought typically German ("der Mikrokosmos Deutschlands").⁴ If we deal with them effectively, we shall have to follow the grain of the wood; the more we point out, as we justifiably can, that an effective democratic regime means release from the semifeudalism of Nazidom, hence a return to Westphalian local autonomy of long standing,⁵ the greater the chances for such a regime and for our own relatively prompt liberation from the unwelcome burden of occupational control.

Lübbing begins by saying: "The Frisians, because of the limited range of their specific 'tribal' region, have contributed little to the multifarious and rich manifestations of essential German traits." The *Niedersachsenatlas* (1934) includes the Frisians with the Lower Saxons. The best single treatise is the symposium edited by C. Borchling and R. Muusz, *Die Friesen*, Stöbbing, Breslau, 1931.

¹ Quoted in *ibid.*, p. 59.

² ROLEVINCK, *op. cit.*, p. 167; quoted in Wöhler, *op. cit.*, p. 55.

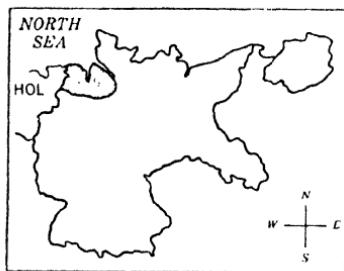
³ As Bringemeier, quoted by Wöhler, puts it, "Im Westfälischen Hofschulzen . . . lebt der alte Germane weiter, der Widerstand leistet gegen welsches Wesen" ("In the peasant proprietor of the Westphalian farmstead the ancient German who resists Romance influence lives on") *ibid.*, p. 58.

⁴ Quoted, *op. cit.*

⁵ It is plain that such local autonomy cannot run counter to the work of regional planning boards, etc. Moreover, the majority of the population is urban, hence close integration of facilities of all kinds is necessary. Here we mean only freedom from interference in primarily local matters.

VI

Just northeast and east of Westphalia is the land of the Lower Saxons,¹ bordering on the North Sea. This area, by the way, should not be confused with Upper Saxony—an error that is fairly easy to make because on ordinary political maps Upper Saxony



alone bears a label, and the adjective Upper is usually omitted. Lower Saxony is made up of several political units, Hanover being the most important, but as a social and cultural region the political divisions are of little significance.²

The proportion of blonds in the Lower Saxon population is high, inasmuch as Nordics, Norics, and Borrebys are most heavily represented. There are, however, some East Baltics, Neo-Danubians, and Alpines. The terrain is marshy flatland³ for quite a way back from the coast, after which begins the slightly elevated sandy heath, with a few low hills here and there, which the Germans call *Geest*. As we shall point out later in some detail when discussing Schleswig-Holstein, the inhabitants of the marshlands are in many respects different from those of the heathlands. Agriculture is similar to that of Westphalia, except that the independent farmstead is not so frequent, and the Lower Saxon type of farmhouse is more prevalent. These houses go back, in general form, to at least the tenth century of our era and may be caricatured, although they are not Irish and not dirty, in the words of the old song, "They kept the pig in the parlor." The front of the house is like a large barn, with stalls for the cattle, pigs, and horses along the sides, and with haylofts above. At the rear is the *Diele*, a large room combining the functions of dining room, living room, and kitchen, once with the hearth in the center but now superseded by wood- or coal-burning stoves and kettle units. Disposed at the sides and the rear

¹ A good general survey is O. Lauffer, *Land und Leute in Niederdeutschland*, Berlin, 1934.

² Even from the social and cultural standpoint, be it noted, the Westphalians are sometimes classed as Lower Saxons, as are likewise the Schleswig-Holsteiners (of the *Geest* in particular).

³ This is not "bog"; the sense in which "marsh" is used here follows the German practice for *Marsch*. By this is meant land drained and reclaimed from its erstwhile boggy state and used for agriculture.

of this room are sleeping quarters, and on the floor above, *i.e.*, at the rear of the hayloft, is the *Altenteil*.¹ The latter, as the name indicates, is the dwelling place of the father and mother of the family after they have retired from active work on the farm. That is to say, as soon as the son or son-in-law who is to bear the chief responsibility for carrying on the *Hof*, or farmstead, has taken over, the parents withdraw to their own quarters.

This special provision for family continuity is characteristic of the many parts of rural Germany,² but nowhere more so than in Lower Saxony. When the peasant heir reaches maturity, marriage is expected as a matter of course, and likewise expected is a kind of marriage which owes little to romantic fancy and much to property considerations.³ Illegitimacy is not frequent,⁴ for in most instances marriage occurs before the child is born. On the other hand, as many as 11 out of 100 rural marriages take place when the bride is in no condition to jump over a broomstick,⁵ inasmuch as the peasant is exceedingly desirous of making sure that there will be posterity to whom the treasured estate can be transmitted. Patriarchalism is strong, and so likewise is general social and cultural conservatism. Lower Saxons are not outstandingly musical or artistic, although they probably surpass Westphalians in these respects. There is a considerable amount of folksong, but relatively little of it in the northern *Plattdeutsch* of the area.⁶ Interestingly enough, the Lower Saxon also avoids dialect in sermons; High German seems to him more dignified and reverent.⁷ A minister who would attempt to curry favor by purveying *Plattdeutsch* from the pulpit would be regarded as knowing neither his place nor his parishioners; he would be open to the deadly charge of *sich gemein machen*, of making himself common. In pastoral visitation, on the other hand, *Plattdeutsch* is quite permissible. Lutheranism

¹ A fascinating study of the Lower Saxon material culture is W. Bomann, *Bäuerliches Hauswesen und Tagewerk im alten Niedersachsen*, 2d ed., Weimar, 1934.

² GÜNTHER, *op. cit.*, pp. 180–182.

³ *Ibid.*, pp. 166, 521–540.

⁴ About 5 per cent of all live births.

⁵ *Ibid.*, pp. 154, 509–510. See all of Chap. XIII, pp. 493–520, for extensive evidence covering nearly all German regions.

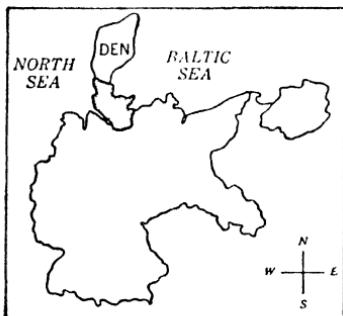
⁶ Frisian is spoken in the marshlands to a considerable degree—in fact, some researchers maintain that nearly all the population of the marshlands of Lower Saxony and Schleswig-Holstein is Frisian. Ordinarily, however, the Frisian classification is more restricted.

⁷ WÄHLER, ed., *op. cit.*, p. 35.

is the prevailing confession, with a surprising amount of support for foreign missionary activities.¹ Along with the stress on conscience and *Innerlichkeit* that goes with this faith, there is a high suicide rate and low criminality.² Like the Westphalian, the Lower Saxon is sober, outwardly unemotional, and silent even to the point of appearing initially unfriendly. Information is seldom volunteered, but when it is forthcoming it is likely to be accurate—always leaving open the possibility of “conscientious deceit” where enemy troops are concerned.

VII

Schleswig-Holstein lies to the north and east of Lower Saxony,



Holstein being the southern portion and Schleswig the northern, with the line between the two roughly defined by the Eider River. Following our general practice, little will be said of Hamburg, Lübeck, and similar maritime and metropolitan centers—although it should be noted in passing that some German writers maintain that Hamburg, for example, is basically a peasant-fisherman city.³

In spite of its small area Schleswig-Holstein has a surprising variety of landscape: marshes, deep-sea inlets, and clumps of thick forest. Even in the remote past, routes of trade ran along the peninsula (chiefly from north to south), and there has been a considerable mixture of peoples. The racial strains and breeds, however, have not been numerous; Borrebys and Nordics, with a sprinkling of Brünns, make up by far the greater part of the population, even when the cities are taken into account. The general result, particularly in the marsh area, has been a tall, heavy-boned, fleshy type;⁴ folk sports run toward weight lifting and similar trials

¹ *Ibid.*, p. 36.

² The old *Grafschaft Hoya*, Schaumburg-Lippe, and the Lüneberg Heath, all parts of Lower Saxony, have the lowest criminality in Germany. See the article by Max Burckhardt, *Stadtdelikte und Landdelikte*, *Abhandlungen des kriminalistischen Instituts an der Universität Berlin*, Series 4, Vol. 4, No. 1, 1936.

³ FREUDENTHAL, HERBERT: “Die Hamburger,” in *ibid.*, pp. 81–82.

⁴ The German anthropologists make much of these traits in their discussions of the *Fälisch* race (Borreby-Brünn).

of massive strength. The diet is accordingly heavy, with pork playing a large part. Eating competitions, at least in peacetime, are quite common and popular—especially among the hired hands!

The chief differences are to be found between the *Marsch* and the *Geest* peasants, especially in the western portions. Those of the marshes succeeded in remaining relatively free of feudal control and, because of the fertility of their soil, constituted almost a peasant plutocracy. Moreover, the necessity for communal enterprises such as the building and care of dikes, drainage systems, and the like, developed a strong sense of solidarity. This is sometimes romanticized into an idyllic kind of mutual good will by outsiders who fail to see that such peasant communities are not necessarily inhabited by paragons of altruism. The spirit of cooperation and mutual aid can very readily coexist with harsh feelings toward one's neighbor; it is simply a case of a united front against the outer enemy, whether that enemy be nature¹ or the feudal overlord.

Because of this favored position, the stock-raising peasant of the marsh, often of Frisian speech, has long been contemptuous of the dweller on the heath, not only because the *Geestmann*, a plowman on niggardly soil, is usually poor by comparison, but also because of the political subservience formerly forced upon him by his less defensible location, and still leaving its traces. Even now marriage "out of the marshes" is a sure way to lose status, and as recently as half a century ago the elders maintained such rigid control that "miscegenation" of this kind rarely occurred. "Sharp Saxon face and soft Saxon heart" is a derisive byword often applied by the *Marsch* peasant of Frisian affiliation to his less fortunate neighbor, as is likewise the saying, "All the men of the heathlands cringe because they have worms where their backbones should be."²

Along with these differences there goes, by repute at least, a striking contrast in general manner. The *Marsch* peasant is said to be dignified, "solid," reserved,³ saying little but that little accurate, whereas the inhabitants of the *Geest* are servile, "flighty," easily approached, talkative, and unreliable. Such contrasts are of course exaggerated, but it may well be that a kernel of truth is mixed with the chaff.

¹ Theodor Storm's novel, *Der Schimmelreiter*, gives a vivid picture of the struggle against the sea.

² WÄHLER, ed., *op. cit.*, p. 72.

³ GÜNTHER, *op. cit.*, p. 151.

The prevailing dialect can be classified as northern *Platdeutsch*, although there are very strong Frisian influences in the western flatlands and a few surviving traces of Danish folk speech¹ on the heaths. In spite of the large number of independent peasants, Schleswig-Holstein has many large landed estates held by nobles who, however, should not be confused with the *Junkers* farther east; the Schleswig-Holstein nobility is relatively ancient and, although distinctly nationalistic, has not furnished the armed forces with so heavy a proportion of officers.² The area has long been a kind of buffer, and the strong anti-Scandinavian sentiment lends a distinct color to local patriotism.³ It is perhaps because of this fact that, in spite of the heavy Social-Democratic vote in cities such as Hamburg and Altona, the election results from 1919 to 1932 were fairly representative of Germany as a whole, if one excepts the Catholic parties.

The necessity for the exception arises because of the strongly Lutheran character of the area—over 940 per 1,000. Apart from the harbor cities, criminality is low, as is also illegitimacy, but the suicide rate is very high. Disregarding the heath dwellers, general opinion has it that the Schleswig-Holsteiner is as outwardly unemotional as the Lower Saxon and quite as insistent on formality. One observer tells of walking down a village street with an informant and passing an old peasant who gazed straight before him with no sign of recognition. After he had gone beyond earshot, the informant told the observer that the peasant in question was his own father who, true to local custom, would not so much as recognize his son as long as a stranger was present. That evening the observer was taken to the *Diele* (the farmhouse form is usually Lower Saxon), where he was made known to the father with appropriate ceremony and where a great deal of hospitality was then displayed.⁴

The region is not particularly musical by repute, although there have been a few eminent composers.⁵ Folk song, although superior to that of near-by Mecklenburg, is not of high quality. Of literary men and social scientists, however, there have been many: Hebbel the poet, Storm the novelist, Niebuhr, Waitz, Dahlmann, and

¹ Fifty years ago Danish influence was far more clearly evident.

² All heads of noble houses (cf. *Almanach de Gotha*) have military rank but may not exercise it professionally.

³ *Ibid.*, pp. 267, 315.

⁴ *Ibid.*, p. 78.

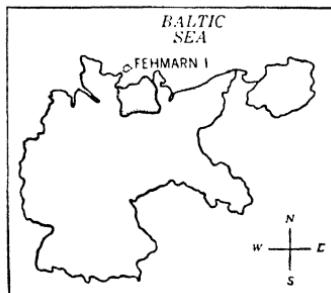
⁵ Among those few must be reckoned Johannes Brahms and Felix Mendelssohn-Bartholdy!

Mommsen the historians, Paulsen the philosopher, and Tönnies the sociologist come to mind.¹ Storm and Tönnies have done much toward the presentation and analysis of Schleswig-Holstein traits, somewhat along the lines so hastily sketched here.

It seems clear that any policy for dealing with the area would necessarily reckon with the traits noted. Perhaps the reputedly divergent characteristics of the heath dwellers, plus the remnants of Social-Democratic tradition that may be found surviving in the metropolitan districts, would lend themselves to readier cooperation with invading forces than ordinary Schleswig-Holstein mentality seems likely to sanction.

VIII

Mecklenburg is sometimes called Germany's "darkest Africa," probably because it has contributed very little to the world of letters, art, or music. The racial strains are more varied than is the case with Schleswig-Holstein; Nordics and Neo-Danubians are common, particularly in the form of a Noric blend. Borrebys and Brünnns account for above 5 per cent of the total population and Alpines, surprisingly enough, for more than 15 per cent.² Blondness is of high frequency—in fact, this is one of the blondest parts of Germany—but so likewise is roundheadedness, a definitely non-Nordic trait. The islands off the coast, notably Fehmarn,³ have many extreme Borreby and Brünn inhabitants; the breeds have been fixed by long-continued marriage among close kin.



The terrain is moderately hilly and dotted by numerous lakes. Only along the coast is there a connected strip of flatland, although toward the south, beyond the hills, the outwash slope begins to merge with the level plain of Brandenburg. The sandy soil produces rye, potatoes, and similar East Elbian crops. Marketing

¹ This list could be prolonged indefinitely, as is also the case in many other sections of this paper. See Gerhard Lüdtke and Lutz Mackensen, eds., *Deutscher Kulturatlas*, esp. vol. 5, 1938, pp. (or charts and tables) 449f-474, Berlin, 1928-1938.

² WÄHLER, ed, *op. cit.*, p. 93.

³ Politically, Fehmarn belongs to Schleswig-Holstein.

facilities are not good, for there is no major railroad line, and the only large auto highway merely skirts the edge. All in all, the district is one of the most isolated in Germany.

The working population is made up primarily of farmhands and fishermen; the numerous large *Junker* estates have squeezed out the independent peasants.¹ In fact, this is the classic region of *Junker* domination, for over 55 per cent of the arable land is in holdings of 225 acres and over, and this is the highest percentage of any part of Germany. The farmhands are partly the residue of subjugated East Baltic and Neo-Danubian strains, and partly importations, beginning as early as the 1850's, from Poland and Lithuania.

This rural proletariat is probably the most depressed and degraded in Germany.² Women and children work as scattered field hands or in the irregular shore labors of fishing, with the result that parental control is difficult to exert. In a country where external authority counts for so much, the resulting family disorganization need occasion no surprise; the illegitimacy rate is very high and, although matched by parts of Bavaria, is so seldom followed by marriage that direct comparison is misleading. Drinking is very heavy; huge quantities of potato brandy as well as beer are consumed. The diet is largely fat pork, fish, potatoes, and of course rye bread; "heavy as a Mecklenburg bill of fare" is a standard German joke.³ Literature, art, and music are distinctly inferior—indeed, almost wholly absent except for mediocre folk songs and folk tales. Humor is earthy, to say the least. It should be noted, by the way, that Fritz Reuter, sometimes known as a Mecklenburg humorist of relatively subtle type, actually came from Rügen, which was then a Swedish province.

Lutheranism of orthodox type is strong—over 950 per 1,000. Nevertheless, the church exercises relatively little influence on private morals; outward conformity is the most that is achieved and apparently, if the utterances of some churchmen are given full weight, all that is desired. Appointments to pastorates have long been determined by the local *Junkers*; any churchman who did not regard his office as that of holding the lower orders in at least outward subjection through the appropriate use of the "pure doctrine"

¹ *Ibid.*, p. 96.

² One old peasant said with pride, "Ick hef min dag nich badt." ("I have not bathed during my whole life.")

³ "Schwer und fett muss es sein" ("It must be heavy and fat") is not a joke but a reality.

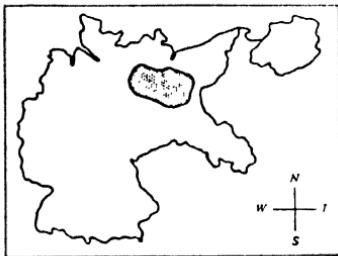
had short shrift. Unthinking, routine obedience is so well-marked a Mecklenburg trait that even other Germans, who have not been notorious for their independence of recent years, comment on it harshly. In fact, military leaders recognize that although the Mecklenburger makes good cannon fodder in the "theirs-not-to-reason-why" tradition, he is not first-rate military material. The only great general produced by Mecklenburg was Blücher, for Moltke, sometimes called a Mecklenburger, was actually trained in Denmark. Hans Delbrück, famous historian of the art of war, was born in Rügen.

As might be expected, Mecklenburg was slow to adopt Nazism; socially and politically conservative to the extreme,¹ it remained a stronghold of monarchist sentiment to the last. The region is of considerable importance as a possible source of support for *Junkers*,² but apart from this it is perhaps of little significance, one way or the other, in the problem of "What to do with Germany?"

IX

Slightly altering our line of march, we now move south of Mecklenburg into Brandenburg, the large Prussian region of which Berlin was until recently the center. The flattish plains terrain is cut up by numerous ridges and wooded areas and is somewhat more hilly than the regions to the northeast.

Heavy industrialization has made the metropolitan centers of Brandenburg-Prussia racially more mixed than almost any other parts of Germany, but even before the rise of machinery there were many differing strains. The basic make-up is Noric and Neo-Danubian. The latter is widely diffused, but there are many solid clusters such as the Spreewald Wends who speak a Slavic dialect and retain their ethnic distinctiveness while remaining only 30 to 40 miles from Berlin. Such peoples derive from the early conquest period; later, after the Thirty Years' War, the Prussian nobles imported free peasants from many other parts of Germany and



¹ "Er will niege Mode inführen" ("He wants to introduce new customs") is a moral death sentence among the common folk.

² It was a hideout for members of the Baltic Free Corps, many of them assassins of Weimar Republican leaders.

gradually reduced them to serfdom or near-serfdom. Consequently there are many Alpines from southwestern Germany, a substantial proportion of Mediterraneans representing French religious refugees, and so on.

The dialect is prevailingly East Elbian, with some Lower Saxon, and a few Frankish and similar sprinklings. Art, literature, music, and science, perhaps because of the stimulus of Berlin, have long been at a relatively high level; we need name only Schinkel, Rauch, Menzel, Kleist, Helmholtz, DuBois-Reymond, Haeckel, the brothers Humboldt, Fontane, Nicolai, Georg Simmel, and Eduard von Hartmann. Nevertheless, Brandenburg cannot vie with southwestern or western Germany for eminence in the first three of these fields.

Many students of Brandenburg life insist that, although the peasant seems subservient, he is actually quite insistent on preservation of traditional rights.¹ This may well be; peoples long accustomed to yielding place and power to their "bettters" may nevertheless stubbornly resist encroachment on the narrow fringes of traditional prerogatives still remaining. An old windmill in the park at Sans Souci is sometimes taken by Germans to symbolize this Brandenburg trait. The peasant millowner was asked by Frederick the Great to sell his property in order that the park might be symmetrically laid out, but he refused to do so and in the ensuing suit, which he obstinately carried through the Prussian courts, he finally bore off the victory. We may shrewdly suspect, to be sure, that Prussian autocrats were not averse to permitting the shadow of liberty to remain even though the substance had disappeared, but the Brandenburger *thinks* of himself as a sturdy, stiff-necked fellow who always gets his traditional due, and what he thinks is perhaps of most importance in this context. Other traits of Brandenburg rural mentality are at least equally hard to characterize, but perhaps a kind of honest coarseness² may be regarded as the least common denominator—if German folk stereotypes are to be trusted.

Given the best of circumstances, devastated Brandenburg under occupation conditions is sure to be a scene of turmoil; its high degree of governmental, military and industrial concentration, plus the conscripted labor that has been forced into the region, mixed

¹ As Mielke puts it, "Michel-Kohlhaas-Naturen sind in jedem Dorfe und in jeder Stadt zu finden" [("Personalities akin to that of Michel Kohlhaas (a peasant rebel) are to be found in every village and town") (*ibid.*, p. 112).

² "Der ehrliche rauhe Ton" is characteristic.

with the uprooted urbanites from what was once Berlin, guarantees last-ditch chaos.

X

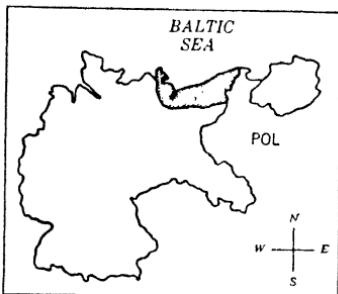
Returning now to the shores of the Baltic, we follow a strip running almost 300 miles east of Mecklenburg; at its widest it is only some 70-odd miles. This flat sandy region is Pomerania, famous for its fish, its horses, its potato brandy, and its *Junkers*. Much that has been said of Mecklenburg holds good here, except that seafaring and fishing should be much more heavily stressed.

The population, even in upper circles, is heavily East Baltic and hence on strictly racial grounds is in many respects indistinguishable from, let us say, the Lithuanian peasantry. Although Pomerania was the scene of early colonization by the Teutonic Knights, it was held by Sweden for many centuries. Even now its only important port, Stettin, is the chief route of entry for Swedish iron (although it is also significant, where other goods are concerned, as an import and export way station for Berlin). Once among the least industrialized areas of Germany, Pomerania has recently undergone changes with the general Nazi shift of industry eastward, but it is still primarily inhabited by fishermen and farmhands, with a scattering of independent peasants.

The same general comments made on Mecklenburg apply also to Pomerania, hence present brevity.

XI

Passing through the erstwhile Polish corridor, which is now a Nazi *Gau* called Danzig-West Prussia and which is racially almost indistinguishable from the territories on either side, we come to East Prussia. Most of the Teutonic Knights who colonized the area were Nordic with Borreby admixture, but there were many other elements, including Mediterranean. Intermixing with the resident population of East Baltics produced types closely akin to those found at present near Lake Ladoga in Russia. Hindenburg, with his short squarish head, wiry hair, gray-blue eyes, and massive bones in the lower part of the face, is an excellent example.



Many of the physical features of East Prussia are like those of Pomerania and Mecklenburg; hence nothing further will be said on these points. It may be noted, however, that on the large *Junker* estates, cultivated long before the Second World War by imported

Poles and Lithuanians, horse raising has figured very largely. The strong stress on cavalry in the days before military motorization played into the hands of the East Prussian *Junkers* in many ways; even now many tank-corps officers are from this region. As is notorious, it has long contributed a disproportionate majority to the German officers'

corps and, as long as the large estates remain intact, it will probably continue to do so.¹

This haunt of gentleman Nazis, along with most of Pomerania and part of Brandenburg, will perhaps be assigned to Poland in compensation for the inevitable loss on her eastern frontiers. If this were done, Poland would probably have to face the possibility of revenge raids or small-scale wars such as those carried on by the Baltic Free Corps as late as 1920, but in the immediately foreseeable future, whatever the circumstances, there seems slight possibility of amicable relations between East Prussians and Poles anyway.

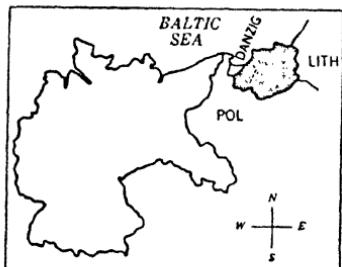
Some of the antagonism, although only a portion, arises from the Lutheranism of the Prussian as over against the Catholicism of the Pole. Curiously enough, East Prussia proves an exception to the general cultural barrenness of the German Baltic lands,² for leading philosophers such as Herder, Kant, and Schopenhauer, literary men such as E. T. A. Hoffmann and Count Keyserling, ideologists of the type of Alfred Rosenberg and Moeller van den Bruck, and artists as divergent as Louis Corinth and Käthe Kollwitz stem from East Prussian soil.³

The lower classes are reputedly distinguished by capacity for hard work, industry, and persistence. The Prussian *Junkers* have

¹ Although his basic thesis is utterly absurd, the data adduced by Winkler are relevant on this point. WINKLER, PAUL: *The Thousand-year Conspiracy*, New York, 1943.

² Partly because of their prevailingly rural character—but East Prussia is perhaps the most rural of all. Günther, *Das Bauerntum*, etc., p. 27.

³ See Lüdtke and Mackensen, *loc. cit.*

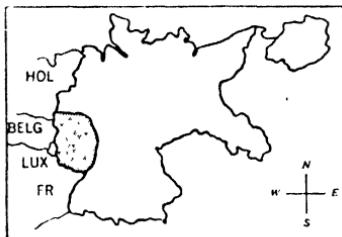


long been held to have a fanatic sense of duty, but candid analysis will show that their conception of duty has seldom run counter to their interests as a privileged landowning class with high military prestige.¹ Among the last advocates of royalism, they nevertheless made peace with the Nazis,² perhaps thinking in terms of the mocking couplet that has long epitomized the *Junker* frame of mind,

Unser König absolut
Wenn er unsren Willen tut.³

XII

Swinging back to the west, we encounter in the Rhineland and its adjuncts the two Palatinates,⁴ a picture much more highly colored than those we have recently viewed. The river valley landscape abounds in low hills and mountains, moderately wooded in the Eifel, Hunsrück, and elsewhere. Nordics and Borrebyns, considerably tinged by the "Polonization" of the Ruhr to which reference has already been made,⁵ predominate in the north. Norics, Alpines, and Dinarics, in varying mixture, account for the greater part of the population of the southern Rhineland—although it should be noted that inclusion of the so-called Bavarian Palatinate also makes it necessary to include a considerable proportion of Mediterraneans. The dialect so volubly poured forth by the ordinary Rhinelander is likely to be Low Frankish or Frankish except for the extreme northeast, where traces of southern *Plattdeutsch* are in evidence.



Roman Catholicism is overwhelmingly the faith of the Rhineland; the slight amount of Lutheranism is found only in the extreme northwest in any degree of concentration; in the remainder it is

¹ VAGTS, ALFRED: *History of Militarism: Romance and Reality of a Profession*, pp. 197–216 *et passim*, New York, 1937; H. E. Fried, *The Guilt of the German Army*, pp. 73–82, 113–156, 235–240, *et passim*, New York, 1943.

² FRIED, *op. cit.*, pp. 282–292.

³ "Our absolute monarch—

Absolute if he does our will."

⁴ Had we more space, the Palatinates could be dealt with separately, and in fact should be.

⁵ Although the Ruhr has already been mentioned in conjunction with Westphalia, over three-quarters of it lies in the Rhineland.

just an irregular and sparse sprinkling. Pietism, here the result of French and Swiss influence, is likewise insignificant; only small splotches occur. In ordinary times the seasonal round of religious festivals dominates even secular life; the surest guide to Rhineland activities of all sorts is the ecclesiastical calendar. A substantial proportion of the population may attend mass only once or twice a year and receive absolution merely in the general "mass-production" form in which it is dispensed on Ash Wednesday, in Cologne and like centers, but nevertheless there is great resistance if changes in long-established religious practices are introduced.¹

In view of all this, it may seem odd that as early as 1925 the Rhineland was the strongest Nazi *Gau* outside Bavaria, but it must be remembered that at that time no basic opposition between Nazism and Roman Catholicism had made itself unmistakably evident. After all, did not Bavaria and the Papacy sign a concordat a year earlier? Accordingly, a considerable amount of early Rhineland Nazism coexisted quite readily with the strong Catholic Center Party representation. Moreover, there was a substantial amount of Communism and Social Democracy from Cologne northward; Düsseldorf-Ost, for example, was strongly Communist. In short, the Catholicism of the Rhineland was less politically conservative than that of near-by Westphalia.

The folk-religious festivals mentioned are usually accompanied, in times of peace, by much eating and drinking, with a wide array of elaborate recipes suited to the differing periods of the ceremonial year. The Rhineland diet is relatively light and varied, and cooking is an art regarded with a reverence almost French. The same is true of liquid refreshments. Few "respectable" Rhinelanders are ever guilty of the swilling and guzzling of beer and distilled liquors that so readily pass current as proper conduct in Pomerania or Bavaria. Rhinelanders are connoisseurs of wines, for the southern Rhineland and the Moselle Valley comprise the most important vineyard districts of Germany. Sudden drunkenness prevents delicate discrimination; *ergo*, the Rhinlander rarely becomes more than mildly exhilarated.

At such times—indeed, on almost any and every occasion—the Rhinlander bursts forth into song or instrumental music. There is unquestionably a wider diffusion of musical interest and capacity, so far as the more popular levels of attainment are concerned, than anywhere else in Germany except Thuringia, and Thuringia is

¹ GÜNTHER, *Das Bauerntum*, etc., pp. 347-469.

known primarily for religious music. The Rhinelander is religious, but much of his music reflects a layman's turn of mind, or at least a cleavage between religious and lay activities.

Along with this go much free and easy poetizing and discursive quotation of the popular *Dichter*; the Rhinelander is never at a loss for the apt couplet, the rhymed proverb, or the gracious even though stereotyped compliment. Even his architecture seems to bear witness to this effervescent diversity; styles all the way from little Romanesque chapels with walls and floors like enameled medallions to flamboyant Gothic cathedrals and even rococo residences of the old nobility dot the Rhineland scene.

These traits and countless others lie at the bottom of the deep-rooted German folk belief that "In dem Rheinland, da geht's los!"¹ Taciturn Lower Saxons and phlegmatic Mecklenburgers look upon Rhineland joviality with suspicious eyes. "Nobody who chatters so much and so easily," think they, "can possibly be reliable or even honest." His vivacity and complexity, then, have earned for the Rhinelander some admiration and perhaps envy, but also a poor reputation for solid respectability. Moreover, many older Germans have not forgotten that some Rhinelanders were seduced into a separatist movement by the French after the First World War, and that others, although perhaps basically loyal, volunteered too much information. To be sure, the separatism was of "lunatic fringe" type, and the information was sometimes glib rather than precise; it provided comfort to the enemy but very little aid. Nevertheless, "giddy Rhineland gyrations" have not been forgotten. (The major exception to these general charges is found in the Hunsrück. Here the peasants and village dwellers have so long been trampled over by contending armies that their "you won't get anything out of me" attitude verges on sullenness.²)

To the detached observer the Rhinelander's "irresponsibility" exists chiefly by contrast; only his fellow Germans would find him quite such a flibbertigibbet as he is said to be.³ Militarism may not be so deeply rooted, but national loyalties are strong, as testified

¹ "In the Rhineland, things are free and easy!"

² BECKER, HOWARD: Sargasso Iceberg: A Study in Cultural Lag and Institutional Disintegration (report of field study of the Hunsrück peasantry), *American Journal of Sociology*, Vol. 34, No. 3, November, 1928, pp. 492-506; Leopold von Wiese, ed., *Das Dorf als soziales Gebilde*, pp. 46-47, Munich, 1938.

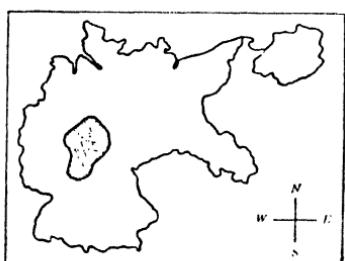
³ The present writer, although perhaps not "detached," has lived and cycled throughout most of the Rhineland during three different sojourns in Germany—1923, 1925-1926, 1934-1935.

by the fact that the separatist movement flickered out after a short flare-up. Would that the Rhinlander really were "open to persuasion" by the anti-German world! As it is, all that can be hoped for is a little more courtesy and surface conformity than in some other parts of Germany. *Die Wacht am Rhein* will still be sung and kept by the Rhinlander; for better or for worse, his watch over the stream sacred to German eyes will be *fest und treu*.

XIII

Most of us remember something about the Hessians, if only from the story of Washington's crossing of the Delaware and his scattering of these mercenary soldiers who, characteristically enough, were too busy with their Christmas celebration to keep strong guards posted.

Their homeland lies north of Baden and east of the Rhine, with the Weser River skirting the northeastern edge.¹ Rolling and hilly, the region is wooded so heavily that its proportion of forest land is the highest in Germany—over 45 per cent. The size of the farm holdings is small, rarely exceeding 20 acres and usually fluctuating in the vicinity of 10. The farming is naturally of subsistence character, with mixed crops and no large-scale animal raising. Since the nineteenth century, industrialization has proceeded apace



around Frankfort, Höchst, Offenbach, and Kassel. The latter city is an important rail center, the focal point of strategic lines. The great potash mines at Werra are naturally of marked significance in the making of artificial fertilizers and other products of large-scale industrial chemistry.

The Hessians are presumably descended from one Germanic "tribe," the Chatti, but even the most isolated regions fail to show racial uniformity. Norics and Alpines occur most frequently, but there are many Mediterranean elements in solution, as it were, and Dinarics are likewise present. The dialect is akin to both Frankish and Thuringian, but it is sufficiently distinct within this relatively small area to be called Hessian. The populace is religiously mixed, with Lutherans predominant. As is also the case in near-by

¹ Most of what is said here refers to *Oberhessen* rather than to *Rheinhessen*.

Thuringia, anti-Semitism has long been powerful; the Nazis merely took advantage of sentiments already widely shared.

Along with this heritage of the past, there also prevails, in the remoter regions, a belief in witchcraft, demonology, and magic that is livelier than in most other German regions. In fact, one writer says that "Nowhere in Germany is there to be found so strong a prehistoric, myth-filled world view as in peasant Hessia."¹ Small wonder it is, then, that collectors of folk tales, from the time of Grimm to the present, have found Hessia their most fruitful field!

Interestingly enough, these mental traits are paralleled by striking outward evidences of devotion to the ancient ways. For example, the peasants of the Schwalm district wear their traditional costumes not merely on festival occasions but as a part of the daily work routine of everybody—men, women, and children.² Elsewhere in rural Germany older women, and more rarely older men, dress "in the antique mode," or on occasion young and old, male and female, may don ceremonial garb, but it is only in Hessia, near the Knüll mountains, that the full sweep of Tarde's "custom-imitation," where clothing is concerned, is still exerted.³ Folk art is most clearly manifested in the use of color; the little cluster or row villages present a variegated picture with their doors, window frames, shutters, and beams picked out in bright tints. There is a good deal of wood carving, but never for the sake of form alone; here again color plays its predominant role.

This small region has contributed quite disproportionately to the stream of emigration: the United States, Brazil and other South American countries, Volga Russia, and even remoter parts of the world have drawn from Hessia. In earlier times the mercenaries who were shipped abroad by their overlords were renowned for their soldierly qualities; at present, however, Hessia cannot be said to be markedly militaristic.

The only real problems that will arise in dealing with the Hessian peasant will be those stemming from his intense conservatism. Even the local priest or minister must master the dialect of his parish (for use in pastoral care rather than from the pulpit), if he is to gain full confidence. Administrators who have only High

¹ ADOLPH SPAMER, WÄHLER, ed., *op. cit.*, p. 189.

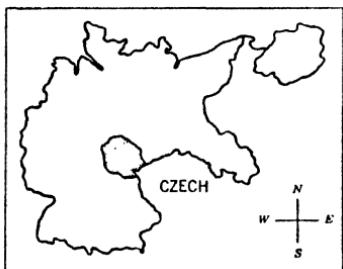
² There are two sets of these costumes: one for special ceremonials and one for every day.

³ Schaumburg-Lippe, Bavaria, and parts of the Black Forest also actively maintain the costume tradition.

German at their command may find it necessary to get local "co-laborators" if they are properly to carry out their tasks.

XIV

The homeland of Luther, Thuringia, lies to the east of Hessa and shares many of its characteristics.



Thuringian forests are not so dense and Thuringian hills are higher, but these are the major differences. Even the racial make-up of the population is similar; fewer Mediterraneans and a little more blondness are all that can be said. The dialect, to be sure, is somewhat different from that of Hessa and diverges strongly from the southern *Plattdütsch* along its northern margins.

The small and middle-sized landholdings are not used for market production; family subsistence is the end in view.¹ The peasant families of the area carry on a great deal of home manufacture; the handmade and assembled toy industry developed here, in part because of the large amount of woodcarving earlier practiced for amusement and household decoration. Of course, home handicrafts have long been widely practiced throughout all of Europe—and the world, for that matter—but Thuringia is unique in that systematic German exploitation of the home workshop first developed there. The folk art is colorful and varied, although perhaps not of the highest formal excellence, and this too has contributed to the "petty industrialization" of the peasantry. Also aiding in dependence of home crafts on the outer market has been Thuringia's well-known musical interest. The making of violins and flutes is still carried on to a surprising extent by home labor, and in earlier times a much wider array of instruments was made in the long winter evenings around the Thuringian hearth. Incidentally, the greater number of German Christmas songs stem from this region, and there are many famous composers—Johann Sebastian and Philipp Emanuel Bach among many others. Luther's musical gifts are only what might have been expected of a lad from such an

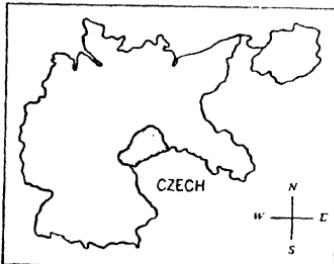
¹ This statement, as well as many others in this section, applies chiefly to what is known as the Thuringian Forest. The Thuringian Basin evidences more market tillage; Erfurt, for example, is the German center for flowers, ornamental plants, and the like.

area. Since his day Thuringia has been chiefly Lutheran in faith, but there are numerous Catholic pockets to the southeast. Regardless of confessional differences, however, the religious music of Germany has benefited greatly from the large share contributed by Thuringia.

As was noted when discussing Hessa, the anti-Semitism of Thuringia has long been intense, and Luther's "Juden und Huren, die werden's fressen"¹ was in all essentials a folk saying before Luther's day. Add to this the animus of rigid Protestant and Catholic orthodoxy, plus the agonies of small-scale peasants and artisans during the inflation period, and the spread of Nazism becomes readily understandable. Thuringia, in fact, was the first German *Land* to set up a full-fledged Nazi regime. Among other things, this fact throws a strong light on the social structure of the region; in spite of the strongly Social-Democratic and Communist character of industrial centers such as the great Leuna works, the minor peasantry, artisans, and shopkeepers were the determining political forces—hence the Nazi rise to power.

XV

Upper Saxony should, under no circumstances, be confused with Lower Saxony; the prevailing traits of the inhabitants are in striking contrast. On most maps what we here term Upper Saxony dispenses with the adjective; *Sachsen* is the standard term. In order to avoid confusion, however, we shall consistently use Upper Saxony to refer to the southeastern German region bordering on Bavaria, Thuringia, Brandenburg, and Silesia, and lying north of Bavaria. Leipzig, Dresden, and Chemnitz are its major urban centers.



The difference from Lower Saxony is apparent even at the racial level, for Nordics are few; Alpines, Norics, and Neo-Danubians make up the bulk of the population. There are even several sections in which the Slavic-speaking Wends hold sway, although in Upper Saxony as in Brandenburg they are definitely in the minority.

¹ "Jews and courtesans, they'll devour it"—the "it" being the wealth of petty princeplings.

for the area as a whole. Blondness is more prevalent than in Baden or the Palatinate, but there is nowhere nearly so much as in Lower Saxony. By and large, it can be said that Upper Saxons have many physical traits like those of the Czechs¹ to the south and the Poles to the east; "the myth of the twentieth century" finds even less support than in many other parts of Wotan's realm.

It may be, in fact, that Thor, god of the hammer, has Upper Saxony in charge, for rocky hills and mountains prevail in the south and northeast, and large-scale mining has been carried on for many centuries. This, plus the coal and supplementary mineral resources of near-by Silesia, resulted in early and thoroughgoing industrialization. Indeed, Upper Saxony and Silesia are the oldest industrial regions of Germany; the famous Ruhr concentrations are of much later date.

Moreover, Upper Saxony is the most densely populated portion of industrial Germany; agricultural production falls far below the German average. Further, the agricultural character of the district is not clearly defined; there is a fair amount of market as well as of subsistence farming, and landholdings range all the way from very small to fairly large. As might be expected, the proportion of skilled workers is high; this is the center of the publishing, textile, and machine tool industries, as well as of a host of highly diversified manufactures. The great Leipzig fair, once the most important on the continent, bears witness to Upper Saxony's enterprise and resourcefulness.

Along with the wide scope of industrialization, there has long been a high degree of political radicalism. Before the heyday of the Nazis, Upper Saxony was the chief stronghold of left-wing Social Democracy; the Marxist labor movement first got under way here, and even now it is probable that what little "underground" of left-wing character still survives in Germany has an important focus in Upper Saxony. Once more, social conservatism has fought a losing battle in this region; only among the remoter peasants and isolated miners on the Silesian fringe is there anything approximating the unwillingness to change, so common, for instance, in Pomerania.

¹ "Die Sachsen zu den kleinwüchsigen Deutschen gehören (Soldatenmasz 1906: 166,4 cm—gegen 169,8 cm in Oldenburg). . . . Kurzköpfigkeit vorherrscht" [The Upper Saxons are included among the Germans of short stature (soldiers' height 1906: 166.4 cm. as over against 169.8 cm. in Oldenburg). . . . Shortheadedness predominates.] Wöhler, *op. cit.*, pp. 226-227.

The social processes operative in Upper Saxony's past must be taken account of in explaining the so-called "open-minded" traits mentioned. Certainly the economic determinist, content to point only to Upper Saxony's industrialization, does not provide a sufficient explanation. Among other things, it is necessary to hold in mind the divergent character of Upper Saxony's ruling strata; the dynasty which held sway for many centuries, and which abdicated with considerable popular regret in 1918, had strong Polish connections, and through these transmitted much French influence. The result was that the enlightenment of the eighteenth century, building upon humanism and the sweep of the Reformation, made a greater impression in Upper Saxony than in any other part of Germany. Lutheranism, to be sure, is the most prevalent faith, but among the urban proletariat in particular it has for many years been a faith in name only. The exodus from the state church, which was so marked after the establishment of the Weimar Republic, drew in its train a proportion of the population greater than elsewhere in Germany. Only the scattered Catholic minority, concentrated chiefly near Bavaria on one hand and Silesia on the other, held its own.

Unquestionably, factors such as these just noted have done much to generate the prevailing stereotype of the Upper Saxon. To be sure, the curious lilting dialect has played some part; "the singing Saxon" has been a byword for centuries. Nevertheless, the Upper Saxon is stereotyped, where many other Germans are concerned, not so much by his speech as by his reputed rationalism, cheerful cynicism, talkativeness, courtesy, fondness for travel, and lack of stolid "dignity."¹ To be an Upper Saxon, in fact, is to be in many respects a direct antithesis of the Lower Saxon or, more aptly, the Mecklenburger. Well educated, especially in technical, commercial, and other utilitarian fields, the Upper Saxon has carried the wares and the traits of his homeland far and wide. The folk stereotype, in other words, has a good deal back of it; when you meet an Upper Saxon, the chances are that you will be struck by the absence of many traits usually thought of as characteristically German—if the East Prussian is the pattern from which these traits are derived. In Goethe's time it was possible to say of Leipzig, "It is a little Paris and it refines its people."² Quasi-

¹ *Ibid.*, pp. 225–226. This is in part a contrast effect; the more vivacious Viennese regard Upper Saxons as relaxed and phlegmatic.

² *Faust*, Part I, Auerbachs Keller.

Parisian refinement, to the ordinary German, is not necessarily praiseworthy, but it is almost certainly the smoke from Upper Saxon fires.

Many German cultural leaders have come from Upper Saxony, although by no means all of them have fitted the prevailing stereotype. Here we need mention only von Fichte, Wagner, Nietzsche, and, at a distinctly different level, Karl May. With all due heed to the case of Wagner, it must nevertheless be said that Upper Saxony's chief contributions have been in the fields of prose literature, the drama, and the plastic arts.

Where our basic question is concerned, it may be said that Upper Saxony may prove to be that German region above all others in which support for whatever democracy of which Germany is capable may be found.¹ There will probably be less embittered last-ditch opposition to occupation forces and less passivity in the reconstruction of a Germany with which the western world can live in some prospect of peace. This is not to attribute angelic virtues to the Upper Saxon, and if Germany's internal market is destroyed by partition, with the consequent destruction of the external market as well, Upper Saxony might turn out to be one of the most violently anticollaborationist parts of the erstwhile Reich. Barring such untoward developments, the British and Americans, at least, may find that Upper Saxony, along with the Rhineland, provides fewest headaches for military governors.

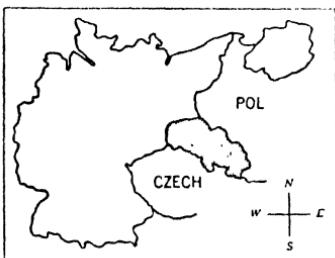
XVI

From the standpoints of physical geography and physical anthropology, Silesia may be thought of merely as an intensification of Upper Saxony. To be sure, there are rolling plains in the north, with a considerable proportion of large estates, but the terrain is after all quite mountainous, and diversified mineral concentrations are far heavier than in any other German region. Moreover, there is the same scarcity of Nordics as in Upper Saxony, and an even larger proportion of Neo-Danubians. Indeed, for all practical purposes Silesia is racially only a transition zone between Poland

¹ As far back as the thirteenth century, Bartholomaeus Anglicus wrote, [The Saxons are] "ein gütig gesinnter und friedlicher Volkstamm, der von Natur in allem weniger Wildheit hat, als sonst bei Deutschen üblich ist" ("The Upper Saxons are a benevolently minded and peaceful people who by nature have in general less 'wildness' than is usual among Germans"), quoted by Sieber in Wöhler, *op. cit.*, p. 225.

and Czechoslovakia, with a few traces of strains and breeds ordinarily regarded as characteristically "German."

Proximity to Poland and Czechoslovakia is also shown in the Silesian dialect; much Slavic influence is apparent. Further, the Silesian aristocracy in possession of many of the large estates diverges from the *Junker* type, for Silesian nobles are usually Catholic and their family connections are frequently Bohemian, Moravian, and occasionally Polish. When the genealogy is of more definitely German character, the family lines ordinarily trace to Germans domiciled in Austria rather than to those stemming from Germany in the narrower sense.



As might be expected, Catholicism is fairly strong; namely, slightly over 300 per 1,000. Lutheranism accounts for almost 600 but, as is so frequently the case elsewhere in Germany, this may mean merely formal childhood training and nominal adult affiliation. Vigorous Protestantism is more likely to take Pietist forms: some readers will remember that Methodism was strongly influenced by the Herrnhut community and by Count Zinzendorf, and this Silesian stress on a strongly emotionalized type of religious experience is still apparent on its native heath. German folk belief has it that the typical Silesian is a miner with a Bible, a hymnbook, and a back yard full of rabbits which he raises to supplement his near-starvation diet. Here again there is manifest exaggeration, but it is true that not only does Pietism flourish but also that cults and sects such as the Seventh-day Adventists, the International Bible Students, and the Latter-day Saints find a slightly more cordial reception in Silesia than in other parts of the Fatherland,¹ with the possible exception of Swabia. Moreover, peasants, miners, and even industrial workers are quite superstitious; the folklore is full of gruesome ghost stories, vampire tales, and the like. Seers and prophets proclaiming the end of the world, deluges of blood, and other apocalyptic visions are fairly common.²

The larger towns give the same impression of single-industry squalor that one receives in some parts of steel and coal Pennsylvania, but the villages, particularly where the inhabitants are

¹ Wöhler, ed., *op. cit.*, p. 240.

² *Ibid.*, p. 252.

aggressively "German," make an impression of almost pedantic orderliness and neatness.¹

The region is little known by other Germans, and if at all, unfavorably. For an army officer or a bureaucrat to be assigned a Silesian post always means demotion; few, if any, "swank regiments" have been recruited from the area. This fact is the more striking when one remembers that East Prussia, likewise a frontier zone, ranks near the top in military prestige.

For these and other reasons the ordinary German holds the Silesian to be "soft" and untrustworthy when matters of grave national import are at stake.² However this may be, it is true that Silesia is politically nondescript and that fanaticism is likely to take religious rather than patriotic form. One apparently contradictory trait, however, appears: Silesians are believed to be *rechthaberisch*, i.e., insistent that they are always in the right. An almost pathological litigiousness is occasionally evident, particularly among the peasantry; disputes about the boundaries of fields, the rights of inheritance, and similar matters are often dragged through the courts for generations.

Politically inert as Silesia has been for so long a time, it seems to follow that it offers no special problems of postwar control. In any case, its location, jutting as it does into the crevice between Poland and Czechoslovakia, almost certainly predestines it to occupation by other than British and American troops. If anyone has to concern himself with Silesian problems, it will probably be a Polish or a Russian administrator, and here, as far as we are concerned, the affair rests.

XVII

The narrow strip represented by the westward slope of the Black Forest, from the point where the Rhine makes a right-angled turn north to where it begins to flow past the flatter lands of the eastern Palatinate in which Heidelberg is situated, roughly represents Baden, Germany's most southwestern region. From what has already been said, anyone with a smattering of European geography would know that the region is heavily splotched by fir forests, that the hills and mountains are somewhat like those of our New England

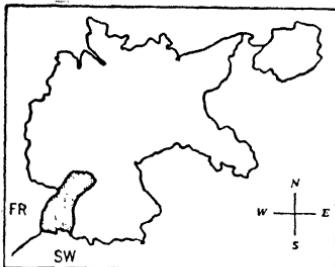
¹ *Ibid.*, p. 243.

² *Ibid.*, pp. 241, 248, 253. Here again we have a contrast effect; Silesians on the Vienna police force in the thirties were regarded as strong German nationalists.

Berkshires in form, and that the many small streams running into the Rhine furnish a good deal of hydroelectric power for many small industries.

What is not so generally known is that the inhabitants of this part of the Rhine's right bank are much the same as those of the left: Baden and Alsace are strikingly similar where the racial traits and dialect of the inhabitants are concerned. Both right and left are frequently lumped together in what is called an "Alemannic" area by both French and German scientists, adapting to modern purposes the old Latin term for the German "tribe" of the Alemanni.¹ Here, however, we are talking about Germany as it is at present defined by disinterested observers, hence we must restrict ourselves to Baden. The Badenian or Badenser, as he is sometimes called, is racially of Alpine-Dinaric mixture in varying proportion, with traces of almost all the other strains and breeds of central Europe. In fact, there is something more than a trace of Mediterranean blood, as we also found in the southern Rhineland and in Hessia, for were not Roman soldiers, in the upper ranks at least frequently from south of the Alps, the military occupants of Baden for over 400 years? This fact helps to account for the relatively high brunetness of the region; it fluctuates, from one section to another, between 20 and 30 per cent.

The Badenser has contributed heavily to the currents of German emigration, for the splinterlike landholdings, varying primarily between 2 and 5 acres, could not possibly support the large families of earlier centuries at even a very low level of subsistence and with a great amount of household industry. To be sure, any less diligent population would have been even more depressed; here the case of southern Ireland comes to mind. The Black Forest homeworker, like his fellow in Hessia, has long been renowned for his amazing tenacity; he has turned his hand to everything from clockmaking to precision instruments and has achieved a percentage of invention, as testified by patents granted, equaled only by the near-by Swabians who live under essentially similar circumstances. Baden and Swabia together are the Switzerland of Germany, and it is this fact,



¹ In the north there are to be found many Franks; central and southern Baden are the clearly Alemannic parts.

along with their notable achievements in lyric poetry, philosophy, and music, that has given them the reputation of being the most gifted of the Germanic "tribes."

In many other respects, the Badenser can be thought of as a Rhinelander somewhat less vivacious and complex than his brothers farther north.¹ Religiously, Catholicism is strongly represented, but there is a fair sprinkling of Lutheranism and, because of the proximity of Switzerland, a considerable number of Calvinists—about 85 per 1,000. The region was politically liberal in the nineteenth century, for the peasants, farming at the subsistence level, were not greatly concerned about the competition of imported foodstuffs and were thus diametrically opposed to the protectionist *Junkers* of northeastern Germany. Moreover, the substantial export trade in the produce of small factories and home workshops led to a fear of tariff reprisals if Germany built her barriers too high; free trade offered the greatest advantages for Baden. The situation changed after the First World War, both economically and ideologically; no longer content with the scanty produce of tiny plots of ground, and competing in the world market with Japan and other low labor-cost exporters, Badeners increasingly felt the need of a centralized economic-political policy. Along with this went the feeling that somehow the Jews were responsible for the steadily decreasing margin of profit secured in the export market, so that the Nazis had a fertile field. To be sure, anti-Semitism was never so violent as in Bavaria, for example. The Badenser is more likely to be a passive grumbler, quick to believe the worst but slow to act upon that belief. The Nazis gained control in Baden only a short time after they seized power in Thuringia and elsewhere, but major atrocities were few, in part because of the relative passivity mentioned and in part because of the proximity of Alsace, Switzerland, and Austria as paths of escape.

Culturally Baden is renowned for its large number of poets and philosophers; if Germany has any claim to have been a people of *Dichter und Denker*, southwestern Germany has played no insignificant part. The names of Hölderlin and Hegel may be instanced,

¹ The relative affability and loquaciousness of Rhinelanders (excepting the Hunsrück) are not strong traits of the Badenser. One writer has said that ". . . die badischen Bauern auf ihre Kinder stolz seien, wenn sie gegenüber den ausfragenden Fremden verschlossen bleiben" ("Baden peasants are proud of their children if they give no information to inquisitive strangers"). Günther, *Das Bauerntum*, etc., p. 337.

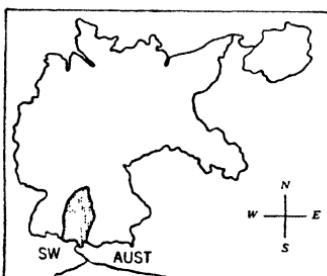
and Heidelberg University, together with the less widely known but nevertheless distinguished University of Freiburg, provide further evidence.¹

Local and national patriotism is strong; in the debacle at the close of the First World War, Prince Maximilian of Baden assumed the responsibility of the chancellorship when almost nobody else was willing to shoulder the load, and Baden regiments have long had an excellent reputation. This may, in part, derive from Baden's outpost position; antagonism to France has had every opportunity to build up mental fortresses. Occupation troops may not so frequently encounter riots, tavern brawls, and the knife in the back as in Bavaria, let us say, but they probably will find that greetings are a little chilly. Further, the hilly and mountainous nature of the region, plus the fragmentary landholdings and scattered industrial centers, will make centralized administration rather difficult.

XVIII

Swabia is a sociocultural area which by the most strict definition includes almost all of Württemberg and a portion of western Bavaria, and in our looser usage also takes in part of Franconia (not separately considered here).

In other words, it is not coterminous with political boundaries and is never outlined on a merely political map. It comprises much of the eastern slope of the Black Forest toward the north, the hilly plateau called the Swabian Alp to the southeast, and on the south is bounded by Lake Constance, across which, on clear days, the mountains of Switzerland and the Austrian Vorarlberg can be seen.



The inhabitants are racially much like those of Baden, with a slightly higher percentage of Dinarics. The soil is poor except for the *Unterland* of the Neckar and related valleys; the best Swabian harvests have never passed beyond 75 per cent of the average for Germany as a whole. Landholdings are not quite so small as in Baden, but the difference is not particularly significant, except in the northeast, where medium-sized farms ranging up to 20 or 30 acres

¹ See LÜDTKE and MACKENSEN, *op. cit.*, pp. 454-475.

are frequently encountered. Industry centers in Stuttgart and Friedrichshafen. The latter was until very recently renowned as the Zeppelin-building focus, and at present receives heavy loads of bombs because of its importance in airplane production. In general, Swabian industry is modeled along the lines of Baden and Switzerland.

In the nineteenth century the area contributed heavily to democratic ideology and action; the upheaval of 1848 owed much to Swabian unrest, in spite or because of the fact that the Hohenzollern dynasty, which eventually held sway over not only Prussia but all of Germany, had its ancestral seat in a little principality in the heart of the region. Swabia did not go into the Nazi camp so soon as did Baden, and as late as 1941 there was evidence of "tongue-in-the-cheek" allegiance to the Party and a good deal of Catholic recalcitrance.

That part of Swabia closest to Bavaria is overwhelmingly Roman Catholic; wayside shrines dot the landscape, and Passion Plays are almost as numerous as in Bavaria. Nevertheless, Protestantism has long had a stronghold at the famous University of Tübingen. A foundation known as the *Tübinger Stift* was responsible for the training of numerous Protestant scholars in the nineteenth and early twentieth centuries, and of course the earlier career of Ulrich von Hutten is well known.

Folk arts such as woodcarving are generally practiced and of high quality. Music, particularly in the realm of folk song, has been among Swabia's outstanding contributions, and her poets, particularly where lyrics are concerned, are famous; Uhland and Mörike are examples. Baroque architecture is fairly common, although perhaps not so characteristic of Swabia in the narrower sense as that of Würzburg is of Franconia; flamboyant Gothic, well exemplified by the cathedral at Ulm, is also strongly represented in Swabia.

Reference has already been made to the University of Tübingen; it almost certainly ranks among the first five of Germany. We have also noted, when discussing Baden, the disproportionately large share that southwestern Germany in general has had in the field of invention and have said that the prevailing German stereotype of the Swabian classifies him with the Badenser as belonging to the most gifted of the Germanic "tribes." What we have not noted, however, is the curious polarity of the German folk conception of the Swabian; he is the *Deutscher Michel* of comedy and satire.

That is to say, the Swabian is regarded as a kindly, impractical, head-in-the-clouds dreamer, who, in spite of the genius he manifests, is continually playing the simpleton, the child, or the boorish rustic. "To be a Schwabe," runs the proverb, "is to be *sau-grob*"—to be as coarse as a sow.¹ Swabian humor is often regarded as of the crude practical joke variety, or else of the kind identified with Samuel Lover's *Handy Andy* or the Irish bull. The least common denominator of these caricatures is probably bluntness, clumsy honesty, and utter unfamiliarity with the social graces where the rank and file are concerned, and lofty intellectuality, mixed with naïveté, among the leading personalities.²

One aspect of the stereotype can be traced to its historical roots, for Swabians in early centuries were often mercenary soldiers of the same type as the Swiss Guards. These *Lanzknechte* had a high reputation for daring exploits against great odds. Nowadays a "Swabian stroke" or *Schwabenstreich* is thought of as a bravado exploit, not without its comic aspects and frequently of foolhardy character. If we think of a kind of clumsy D'Artagnan, winning through by blind courage and strength of arm rather than by subtlety and dexterity, we have a close analogy. Not altogether apart from this background is the fact that Swabians at present are classed with Bavarians as first-rate shock troops, particularly when called upon to face cold steel or to use it.

The remarks made about probable reactions of the Baden population to occupying forces apply, with a few minor qualifications, to Swabia; hence we need not elaborate.

XIX

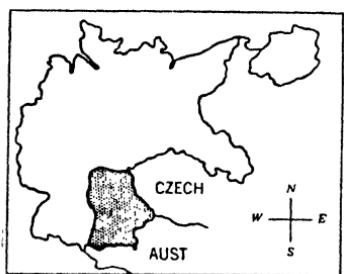
Last in our swing across the southernmost tier of German regions is Prussia's traditional antagonist, Bavaria. Where its physical geography is concerned, higher plateaus and mountains are characteristic, with the valley of the Danube making travel from west to east somewhat easier than in other directions. There are of course other rivers; in particular, the Main and its tributaries

¹ " . . . es ist immer noch das höchste Beghren eines jeden . . . das Recht der eignen Persönlichkeit mit dem höchsten schwäbischen Trumpf, dem Leibwort Götzens von Berlichingen, ausspielen zu können" (" . . . it is still the highest desire of everyone to assert the rights of his own personality by playing the highest Swabian trump; namely, the gross bodily retort of Götz von Berlichingen"). August Lämmle in *ibid.*, p. 278.

² GÜNTHER, *Das Bauernlum*, etc., p. 81; Wähler, ed., *op. cit.*, pp. 274, 277-278.

afford fairly easy access toward the northwest; nevertheless the general west-to-east rule holds good.

The population is overwhelmingly Alpine and Dinaric and,



although not as brunet as in Swabia and Baden, the "nut-brown maiden" occurs frequently not only in Bavarian folk song but in real life. The dialect is quite distinct and bears the technical name of *Bajuwarisch*, which for our purposes can be translated simply as Bavarian. Landholdings are medium-sized to small; plots as diminutive as those

of Baden are particularly prevalent in the higher mountains to the south. The large holdings and estates, of which Bavaria has a considerable number, are located chiefly in the river valleys.¹ Until relatively recent times, the region has not been heavily industrial and, even now, is not among the larger centers; beginning with the nineteenth century, however, Nuremberg and Munich have risen to the rank of important manufacturing cities.

With the exception of the fairly strong Protestant representation of the northwest, with Nuremberg as its focus, Bavaria is predominantly Catholic; the region as a whole is well over 800 per 1,000. With the exception of the Romanesque cathedral at Bamberg,² and the High Gothic Marienkirche at Nuremberg, Bavarian religious architecture does not reach the uppermost German levels, although many smaller churches are deservedly famous. Images and shrines are found at almost every crossroad, and Passion Plays are even more popular than in Swabia. Roman Catholic confessional schools were once numerous; Bavaria had over 75 per cent of the German total of some 33,000.

Along with the Rhineland, clericalism as manifested in the Catholic Center Party was strong, and even the Center Party's great competitor, the Bavarian People's Party (with separatist tendencies) had many priestly participants. Nazism started, as is well known, in Munich, and the first great party gathering after

¹ The peasants of the Emmental, a dairying district, are frequently *very* wealthy landowners; one writer calls them "Grossbauern mit Millionenkapital" ("great peasants with million-mark capital"). Bringemeier in Wöhler, *op. cit.*, p. 49.

² Which, however, owes its origin to Upper Rhenish-Burgundian initiative.

the seizure of power was at Nuremberg, hence it should be clear that although such leaders as Cardinal Faulhaber bitterly opposed Nazi ideology, many active Catholics threw in their lot with the new regime quite early. Facts such as these make it necessary to point out that the Catholic opposition to Nazism, which unquestionably exists, should not be overrated. It seems fair to say that in spite of courageous protests against anti-Semitism and the neo-paganism of Rosenberg, clerical Roman Catholicism would have adjusted to the Third Reich without sacrificial protest had not clericalism and confessional schools been threatened and finally overthrown by the Nazis.

Bavaria has always been politically conservative, or even reactionary, in spite of the fact that in the 1918 collapse it was the first German state to declare itself a republic. The Social-Democratic Republicans led by Eisner and Toller constituted only a small minority which probably could not have seized power had it not been for the latent Bavarian dislike for the Hohenzollern dynasty. As soon as it became apparent that the 1918 revolution aimed not merely at the ousting of Wilhelm II but also at a new social and economic order, Bavarian conservatism asserted itself forcibly and successfully. After the Weimar Republic got under way, continuing and increasing difficulties with Bavaria were experienced; instance the fact that Bavarian judges protected rebels against the Republic either by imposing nominal punishment or by refusing extradition. Anti-Semitism, particularly among the peasantry, has long been strong and ruthless, and this feature of the Nazi program was heartily welcomed by the Bavarian rank and file, whatever leaders like Faulhaber had to say.

Bavarian folk life has characteristics long known and esteemed abroad and at home. Folk music is vast in quantity and relatively good in quality; the zither and like popular instruments help to make almost every Bavarian gathering at least musically convivial. Add to this a proclivity for yodeling that almost outdoes the Swiss, and one aspect of Bavarian *Gemütlichkeit* is sharply illuminated. Folk dancing is of course closely linked with all this; the *Schuhplattler* and the *Schnaderhupferl* could certainly not go on without a great deal of rhythmic noise as an integral part. Public merrymaking in the form of feasting and semiceremonial drinking has the status of a Bavarian institution in ordinary times, but it is of not quite the same character as, for instance, that of the Rhineland. Bavarians are heavy beer drinkers; relatively little wine is consumed by the

common people. Distilled liquors such as cherry brandy are popular, but here nothing like the amazing per capita "distillery" consumption of Pomerania is achieved. All in all the Bavarian's heart is in his stein. In peacetime circumstances, much meat is consumed, and Bavaria more than any other part of Germany is the land of the sausage. Hunting was a widely practiced folk sport until quite recently, as was likewise target practice. Wrestling, especially in Greco-Roman style, has a secure niche in Bavarian popular athletics, as have likewise weight lifting and the tug of war, for which the stocky physique characteristic of many Bavarians is admirably adapted. Skiing is widely practiced, and many of the mountaineer regiments are drawn from the Bavarian Alps. The region has its characteristic folk costume: leather shorts with parallel suspenders, broad and brightly ornamented; coarse linen shirt open at the throat; and conical green felt hat with a brushlike tuft at the side.

With Lutheran Mecklenburg, Catholic Bavaria shares the highest German illegitimacy rates,¹ but as was earlier noted, marriage and subsequent legitimization of offspring occur more frequently in Bavaria. In fact, throughout much of the nineteenth century a peasant girl in many of the remoter regions did not readily find a husband until she had demonstrated her fertility by giving birth to a *lediges Kind*—a child born out of wedlock.² Even now, in some of the mountainous sections, betrothal is linked with *Fensterln*; namely, a kind of "bundling" facilitated by the open window of the girl in question.³ Of course, under urban conditions the meaning of such conduct changes, and the easy tolerance of Munich servant girls which contributes so large a part to Bavarian illegitimacy⁴ is a symptom of disorganization rather than of concern for family continuity.

Crimes of violence are more common in this erstwhile land of the Wittelsbachs than elsewhere in Germany (with the exception of cities such as Berlin and Hamburg). Stein-throwing tavern brawls are part of the pattern,⁵ as is likewise the ready use of the

¹ Over 8 per cent.

² GÜNTHER, *Das Bauerntum*, etc., p. 504.

³ *Ibid.*, p. 500.

⁴ The Munich illegitimacy rate is nearly 12 per cent.

⁵ One member of a Bavarian community boasted, in 1928, that *all* the young men who had "any stuff" in them had been in jail, i.e., certain acts of violence are praiseworthy.

deer-foot-handled knife, traditionally used for hunting but carried, in the stocking or at the belt, by many urban workers who never pursue the gamesome venison. We sometimes think of Italians as given to the use of cold steel (actually, only Sicilians are really expert), but it would be quite as accurate to cast our stereotype in Bavarian terms. German military men are well aware of this, for in the First World War, when troops were needed to face Senegalese Negroes gritting knives between their teeth, Gurkhas with their slashing kukris, or bayonet-plunging Scottish Highlanders, Bavarian regiments were the first choice. Precisely what assignments are given in the Second World War is not yet clearly evident to civilian observers, but it may be suspected that earlier preferences still prevail. As a shock trooper of the hotly courageous type, then, the Bavarian has a high reputation, but he is not so greatly valued when prolonged pounding by high explosives and "waiting out" an enemy are the tasks in hand.

Making due allowance for overemphasis, we get from information such as that so briefly indicated above a picture of a lusty, quick-tempered, convivial, and impulsive personality type. To this might be added some of the traits mentioned in conjunction with the Swabian, for if the Swabian commoner is *sau-grob* the Bavarian is far more so. The same is true of his humor. Study of Bavarian comic papers scattered about at tavern tables will show that Rabelaisian mirth of very coarse character is far more prevalent in Bavaria than in Swabia—in fact, there is sufficient contrast to make the Swabian subtle in comparison.

Occupation problems will be quite serious, not only because it will be necessary to restrain strife among Bavarians and between Bavarians and other Germans, but also because feuds between the policing troops and the inhabitants will in all probability develop rapidly and lead to assaults, open and concealed, that will account for many casualties. Given the discipline which the military representatives of the United Nations will probably succeed in maintaining, these casualty lists will be one-sided; sentries with bashed heads and knife thrusts in the ribs will perhaps provide an undue share of the evidence. If such guerrilla or *franc-tireur* tactics are persisted in, there may be no way of avoiding the exemplary execution of the guilty in accordance with the accepted rules of land warfare. The bad blood thereby engendered will certainly make it very difficult to secure reputable local sponsors of collaboration, even when such collaboration aims only at the relief of local

distress. It may be, of course, that clerical forces—assuming that the United Nations' policy meets with their approval—will help to bring their Roman Catholic adherents into line, but the record of Bavarian ecclesiastics thus far gives little ground for unqualified optimism.

XX

Much of what might have been reserved for "conclusions" has already been set forth; it remains only to be a little more explicit on some points and to introduce a few fresh considerations.

First of all, it seems clear that for many purposes a grouping of German regional traits somewhat simpler, or at least less finely divided, than that we have been using can be established; namely, (1) southwestern Westphalia, the Rhineland, the Bavarian Palatinate, and that part of the right-bank Palatinate nearest the Rhine, plus Baden as far as a line drawn some few miles south of Heidelberg; (2) northern and eastern Westphalia, Lower Saxony, and Schleswig-Holstein; (3) Mecklenburg, Pomerania, northeastern Brandenburg (including a part of the Nazi *Gau* called the *Warthe-land*), and East Prussia; (4) Upper Saxony and Silesia; (5) Hessa and Thuringia, plus that fragment of southwestern Prussia now labeled as the *Gau* of Halle-Merseburg; (6) central and southern Baden, Swabia (including that part of Franconia—which we have not dealt with in this sketch—lying along the Main River), and Bavaria, in which would also be placed the Nazi *Gau* termed Franken. It might be possible to reduce these major sociocultural regions to five, in which case the districts pigeonholed in (5) above would be partitioned among near-by areas.

In saying that a five- or sixfold classification of this sort could be established, there is no remotest notion of implying that separatist movements looking toward the fragmentation of Germany along these or other lines should be fostered. Even if they *should* be, it seems clear, to the writer at least, that they could not be successfully held in power.

One major obstacle is the lack of self-sufficiency; Upper Saxony and Silesia, for example, are densely populated and industrialized, without any corresponding agricultural balance. Such districts would suffer the fate of truncated Austria—that is to say, they would drift, sooner or later, into the arms of the strongest near-by state, with revolutions and wars as accompaniments of the drifts.

Another major hindrance would be the prevailing sentiments about German unity, for even the disastrous defeat which the near future will bring does not seem likely to wipe out the deeply ingrained attitudes that long centuries have developed. The unification of Germany, as far as the beliefs and conduct making it inevitable are concerned, goes much farther back than the Customs Union of 1844 or the Hall of Mirrors gathering of 1871. Bavaria, to be sure, has been one of the seats of separatist tendencies, but the Bavarian People's Party never got to the point of acting on its program and, in the face of defeat, would probably choose union against the foe without rather than a precarious particularism within.

Once more, the degree of functional interdependence achieved by Germany, in the economic realm at least, seems to make it absolutely essential to permit this interdependence to continue—unless we are willing to see peacetime famine of long-continued character add to the devastation of war, or to handle Germany on a large-scale WPA basis, with ourselves as underwriters.

In the heat of conflict, we may say we do not care what the fate of the German population may be, and even in terms of abstract justice our indifference may be entirely justified. Once our aggressive vigor loses intensity, however, we are likely to forget the demands of abstract justice, no matter how thoroughly they may be grounded, and to yield to our humane impulses. Considering the sympathy for German civilians which manifested itself in Britain and the United States as early as 1922, can we be sure that the aftermath of the Second World War would be much different from that of the First World War? Might not the United Nations' governments find themselves confronted by outraged sensibilities among their constituents which would make it impossible to follow through a program of "let them starve" character? Why start something which we could not finish and which, when abandoned, would be interpreted as a symptom of dissension, weakness, and "democratic softness"?

It may then be asserted that in spite of regional differences of the sort indicated, Germany should probably be dealt with, for better or for worse, as an economic and political unit once its frontiers are definitely established. In saying this, we at once raise the question as to the character of the leadership which this unit will provide for itself. Note the "provide for itself"; Quisling regimes can remain only as long as do the foreign arms that maintain them. In the listing and description of one region after another, the role

of what is likely to be under any circumstances the major German political unit was obscured. In other words, Prussia was almost lost from view. Even in the narrowest sense, a large part of central and western Germany falls in this category; East Prussia and Pomerania, although likewise included, cannot counterbalance the great weight of Brandenburg and its political affiliates. Granting that all of East Prussia and a large part of Pomerania may be detached as Polish "compensation," the bulk of Prussia proper still remains. Moreover, this bulky portion contains few of the great *Junker* estates and is dotted with industrial centers in which Social Democracy was once very strong indeed. Once more, it was precisely in *this* Prussia that the Weimar Republic had its last stronghold; long after Baden, Thuringia, and Bavaria had capitulated to the Nazis, the Prussian working classes held out. The systematic assassination of Reichstag representatives, resulting in over 400 political murders from 1918 until 1928 (after which they became so numerous as to be almost impossible to count properly), were the work of romantic adventurers from all of Germany, but particularly from Pomerania, East Prussia, and Bavaria. When these murderers sought refuge, they did not seek it in Prussia proper; instead, asylum was found in remote Mecklenburg or, more frequently, in the highlands of Bavaria. It is perhaps more than symbolic that Berchtesgaden became the Führer's eyrie.

The upshot is that cheap and easy contrasts between northern, central, and eastern Germany as wholly devil, and southern and western Germany as wholly angel, or Bavaria versus Prussia, with United Nations' bets on Bavaria, must be abandoned. "Must," that is, if we are to answer the question of "What to do with Germany?" with any intelligence and with any prospect of success—interpreting both "intelligence" and "success" in terms of an interlude between the Second and Third World Wars that goes beyond the next generation. Is this too modest a demand?

CHAPTER XVII

GERMANY ON THE EVE OF OCCUPATION

HANS H. GERTH

In estimating the future development of the German people it is not sufficient merely to set forth a good program for the exploitation of the military victory of the Allies. No "program," if it is really to work, can rely on sheer armed superiority for its imposition. Whether one wishes to supervise German education for 50 years or to control and acquire all of German industry and transport, prudence advises us to consider psychological factors and to ask for the way or the ways in which the Germans are going to "take it."

Among the psychological factors the craving for recognition, the quest for prestige and for respect of self stand out as of capital importance. For the German ruling class the psychological schema is well known: defeat of 1918, frustration, guilt feelings, overcompensation through racism, and projection of guilt feelings upon a racial scapegoat. Ideologically, this general process was implemented by the stab-in-the-back legend, racial mythology, monarchist nostalgia, and finally National Socialism.

It is obvious that the social potency of the psychological and ideological processes, and the extent to which the middle classes, youth, labor, and others were engulfed by such processes, must be seen in conjunction with the shifting prestige distribution among the various groups of Germany as a highly stratified industrial nation. Men not only crave power and goods; they may also be brought to make the supreme sacrifice for the sake of honor and prestige. Those who realize identical deference claims are equals in status and, respecting one another, they share the table at festive meals and are glad to see their children intermarry.

A middle-aged German has lived since childhood days through swift and dramatic shifts in the distribution of prestige. Obviously these distributions have followed the turnover of political regimes, from the Kaiser's court through the President's chancellery to Hitler's mountain chalet. Redivisions of political power beget

revisions of prestige. In order to see the prestige distribution of Germany in the perspective of the last three decades a brief comparison will be made.

1. *Imperial Germany.* Under the Kaiser, prestige derived from noble descent was at the apex of the social scale. The dynastic houses and noble officers (cavalry) were closely followed, or equaled, by the estate-managing Prussian *Junkers*, who carried military discipline and the saluting pattern from the garrison to the East Elbian countryside. The cousinhood of nobles also included the diplomat, the high administrative official, and an occasional scholar or artist.

When the economic rivalries between East Elbian agrarian capitalism and Western industrial capitalism had been resolved in common protectionist policies, the two groups gradually merged through intermarriage.

The merger of bourgeois industrialists and *Junkerdom* was facilitated by the fact that the German industrialist was not like the English industrialist who established himself on an absentee owner's land: the German industrialist became his own landlord. The *Junker*, accustomed to his single-chimney distillery for potato brandy, could not help being impressed by the rows of chimneys and blast furnaces of the Krupp's domain. In addition, industrial development of the entailed latifundia of the Silesian cousinhood brought ever-increasing rents. The operations of the state mines hardly differed from private industry. Both fulfilled government commissions for the railroads, the navy, and the army. The role of the industrialist resembled that of the technical organizer dignified by the halo of science in optics, in chemistry, and in the electrical industry. He was rather the general of "his" labor force than the calculating merchant. As the assimilation of bourgeois wealth to feudal status always requires the country estate as an appendage, Western industrialists and merchants made their bids and helped to raise the land values. Thus, participation in neighborly visits, the sharing of church pews, and common hunting parties became possible. The swank noble regiments opened their ranks to the *Konzessionsschulze*, as the bourgeois parvenu was called.

The decisive line separating the highest status groups from the rest of the nation was marked by membership in a university "duel corps," displayed by facial scar and colored ribbon, and/or by membership as an officer of the reserve. The members of this status group acquired the well-known caste conventions of dueling,

ceremonial beer drinking, staccato speech, heel clicking, and stiff bowing. These demarcation lines cut through the university staff, the protestant clergy, the civil-service ranks, the liberal professions, and the business community in town and country. This caste was marked off from the cosmopolitan upper classes the world over as "the Prussians." They appeared as a rather provincial group of internally insecure and externally boastful—hence noisy—parvenus, "varnished plebeians" as Max Weber called them.

The diffusion of these prestige models was facilitated by the bureaucratic management of prestige symbols on the part of the dynasties, by the bestowal or sale of medals and titles, and by the titled prestige-bearer's wife who was traditionally addressed by her husband's title, be it as low as *Frau Postsekretär*. Visiting cards, mailboxes, and tombstones would proclaim titled ranks.

Insofar as prestige was based upon occupational skill and institutional function, the distribution followed the hierarchic structure of civil and military bureaucracies. State universities and their scholars, state hospitals and their titled medical heads, state orchestras playing for state operas, Protestant state churches under the patronage of dynastic houses, aristocratically recruited dignitaries of the Catholic church—all these were so many avenues for the diffusion of prestige. Members of liberal professions and selected propertied men could be drawn into the orbit of prestige by what Ambassador Gerard described as the "Rats system."¹

These groups were followed in the prestige scale, though not in power, by the larger propertied middle classes, by the traditionalist peasantry, the artisans and small bourgeois entrepreneurs, and by middlemen representing the loyal monarchist *Volk*. Finally, there were the "masses" of socialist and trade-union-organized labor, led by despised intellectuals, labor journalists, and professional orga-

¹ "Rat means councillor, and is a title of honor given to any one who has attained a certain measure of success or standing in his chosen business or profession. For instance, a businessman is made a commerce *Rat*; a lawyer, a justice *Rat*; a doctor a sanitary *Rat*; an architect or builder a building *Rat*; a keeper of the archives, an archive *Rat*; and so on. They are created in this way: first, a man becomes a plain *Rat*, then later on, he becomes a secret *Rat* or privy councillor; still later a court secret councillor, and later still a *wirklicher* or really and truly secret court *Rat* to which may be added the title of Excellency, which puts the man who has attained this absolutely at the head of the *Rat ladder.*" GERARD, JAMES W.: *My Four Years in Germany*, p. 114, New York, 1917.

nizers. These outcasts from respectable society won thirty-six per cent of the electorate's votes in 1912 for their Social Democratic program; they were subject to the chicanery of police and administrative agents, and were dubbed by the Kaiser *Vaterlandlose Gesellen* (fellows without a fatherland).

The functionaries of the market stood somewhat outside this vertical schematization. Bankers and merchants who were often recruited from ascending and assimilating Jewry developed their own social life and backed the progressive, artistic, and journalist intelligentsia who were also largely recruited from Jewry. This liberal bourgeois group was set off from official court and bureaucratic society. Property, education, and participation in cosmopolitan cultural currents buttressed their prestige position.

2. *The Republic.* Previously despised groups were brought to the fore by the advent of the Republic. Its President, Friedrich Ebert, rose from the trade-unions. It is convenient to distinguish three phases of the Republican era in Germany: (1) 1919–1924, the period of leftist and rightist rebellions and of inflation; (2) 1925–1929, relative stabilization of German capitalism on the basis of loans from the United States and accommodation of political parties to parliamentary government; (3) 1929–1933, the disintegration of the Republic and the transition to National Socialist Totalitarianism under the impact of the great depression.

In the first phase labor's prestige rose sharply during the political crisis of falling dynasties, the threatening disintegration of national unity, demobilization, and the fear of Bolshevism. Revisionist trade-unionism earned the respect of liberals of good will and won cooperation from shrewd industrialists and generals who considered the Republic a minor, and perhaps a passing, evil. Friedrich Meinecke, the eminent historian, stated, "We have all changed from Monarchists in heart to Republicans by reason." Socialist labor was split into a number of parties holding different conceptions of political democracy, the road to Socialism, and the relation to the Soviet Union. They held in common only illusions about the weakness of German capitalism and discredited each other's assumptions in word and in action.

In estimating the position of German labor one must see it within the general European scene. European labor was experiencing a series of defeats: the suppression of Communist uprisings in January and in March of 1919, in Berlin; the downfall of the Soviet dictatorship of Munich in May, 1919; the collapse of the Hungarian

Soviet regime in July, 1919. In 1920, not only were the Ruhr miners defeated by force of arms, but a great strike of French labor ended in failure, and the westward march of the Red army was stopped on the outskirts of Warsaw. That was in August. In September, north Italian labor occupied the factories only to be defeated the following year by Mussolini! The British miners were locked out and worsted in wage struggles. The Soviets retreated by declaring the "New Economic Policy" of 1921. In Germany, the newly constituted Reichswehr under the old officer corps ousted the legally constituted labor governments in Saxony and Thuringia, although abstaining from action against the counterrevolutionary and antirepublican regime in Bavaria. In short, labor very soon lost political initiative and, with it, prestige. The humiliating defeats of Republican governments in foreign affairs, topped by the Ruhr occupation in 1923, did the rest. German labor had not been able to translate temporary political power into military and economic power, much less into prestige.

The Republic had temporarily displaced the former prestige groups. Labor had deflated that prestige yet had not upset the old economic and administrative functions. The greater the economic plight of the urban masses, the more indispensable seemed the cooperation of the *Junkers*, of great industrialists, and the smooth functioning of administrative, judicial, and military agencies. Under a democratic constitution, prestige follows in the train of economic and political power; competition for such power thus regulates the flow of prestige. Prestige groups are open and dynamic and no central agency would seek to superimpose and manage the distribution of prestige.

Where labor could share in the patronage of office, as in the municipalities or in the Prussian coalition governments, and gain economic influence through the promotion of public projects, there it held its own. It did so during the period of relatively general stabilization following the stabilization of the currency, the evacuation of the Ruhr, the Dawes pact, and the influx of American loans.

Political initiative shifted to the propertied classes, to the Treasury bureaucracy which had stabilized the mark, and to the *Junkers* who in 1925 secured new protectionist tariffs and investment credits (mainly raised in the United States). The election of Field Marshal von Hindenburg to the Presidency in 1925, and the unique development of the German Nationalist People's party (later led by Hugenberg) into a large popular party, point to the reestablishment of the

power and prestige of the anti-Republican industrialists, *Junkers*, middle classes, nostalgic bureaucrats, university and high-school teachers, the officer corps, and, last but not least, the enfranchised housewives who voted for religious and nationalist slogans.¹ The relative stabilization was consummated by spurious Republicans.

For the Republican no universally accepted set of deference symbols emerged in the competition of prestige values. Still, if a public speaker referred to someone as "*Herr* so-and-so," in the class-conscious worker's eyes this placed him on the side of bourgeois respectability and hence in the camp of the "class enemy." A Prussian officer and *Junker* could hardly accept the formula *Volksgenosse* (folk comrade) as referring also to himself. And the lower middle classes strove for the Ph.D. degree as an important status symbol, despite its decreasing material value. This pluralism of prestige values was further multiplied by the ascendancy of popular sports and other fashions of commercialized leisure. The small-town bureaucrat saw himself overshadowed by the latest movie star, prize fighter, or record-breaking sportman. Democratic politics in industrialized nations require experts in the swift and wide diffusion of symbols among emotionalized masses. The bureaucrat, the judge, the officer, the scholar in German, have traditionally disdained such skills; they feel above the vulgar crowd of the market place. They were shocked to see prestige deflected from the bureaucratic model based on exclusiveness, minimization of social visibility, and a persistently neat hierarchization. Now the ephemeral

¹ In November, 1932, men and women voted separately at Cologne. The high percentage of women votes for religious slogans is evident from the figures for the Catholic Center party. The spell of Nazi chauvinism over women is striking, especially when considering the low percentage of female members enrolled in the NSDAP. The table shows the distribution of male and female votes among the major parties.

PARTY PREFERENCES OF COLOGNE VOTERS

	Men		Women	
	Absolute	Per cent	Absolute	Per cent
NSDAP.....	73,430	33.9	72,386	32.9
Catholic Center.....	41,923	19.4	67,755	30.8
Social Democrats.....	35,722	16.5	29,758	13.3
Communists.....	47,092	21.7	32,683	14.9

"star" who climbed high in the orbit of sensation and fashion fascinated the public.

President Hindenburg in mufti and silk hat might throw the football in at the opening game of the season, but in the eyes of his *Junker* friends, in the eyes of the Reichswehr and the swelling ranks of marching veterans,¹ he remained the "Field Marshal," the living symbol of Imperial Germany, the harbinger of the Republic's fall.²

The fragmentation of ways of life, of prestige aspirations, of esoteric cults and cliques ranging from the military Bohemians to the Proletcult, from anthroposophy to healing cults—all were ideologically represented by high- and low-browed intelligentsia. This fragmentation contrasted sharply with the immense process of concentration in the economic order: the centralization of economic power in the hands of leading cartels and trusts.

The depression crystallized all that had accumulated during the predepression decade. The locus of actual power was revealed in the government's deflation and subsidy policy which favored economic monopolies, the tottering cartels, the banks, the *Junkers*. Shifting cabinets were "tolerated" but not supported by the Republican parties. Presidential emergency decrees replaced the legislative process; conspiratorial cliques of nobles and officers ruled; the constitution was emasculated. An uneasy balance of class parties characterized the final eclipse of the Republic. Army, police, judicial, and civil administration stood out starkly in repressive functions—unpopular, feared, and hated.

The narrowing circles of the ruling class feared labor and they feared the rising tide of Hitler's "brown masses." This phase of indecision brought such circles into sharp focus. Top hats and furs were the status symbols of these classes devoid of masses.³

¹ In 1925, 20,000 veterans met for the fifth "Front Soldiers' Day" at Magdeburg. In 1930, there were as many as 120,000 to 140,000 who marched on that day at Koblenz. The guests of honor included the Crown Prince, General von Seeckt, and a representative of the Italian Fascist Party. POSSE, ERNST: *Die politischen Kampfbünde Deutschlands, Fachschriften zur Politik und staatsbürgerlichen Erziehung*, ed. Prof. Ernst von Hippel, Berlin, 1931, p. 23. Quoted in Hans Ernest Fried, *The Guilt of the German Army*, p. 259, New York, 1942.

² WHEELER-BENNETT, JOHN W.: *Wooden Titan. Hindenburg in Twenty Years of German History 1914-1934*, pp. 290-291, New York, 1936.

³ "Heinrich Sahm," obituary, *New York Times*, Oct. 3, 1939. "A 'Slarek' fur worn by the wife of the Chief Burgomaster acquired a symbolic significance

When the Republic was not yet buried and the National Socialists were not yet firmly in the saddle, the princes and *Junkers*, economically bankrupt and politically confused, were allowed to occupy the foreground.¹

Soon the nationalists in the cabinet were to realize that prestige need not be power. And the torchlight processions on Jan. 30, 1933, were not given in honor of the Kaiser or the majority of the cabinet but in honor of Hitler.

During the last phase of the Republic the Nazis had followed the hug-your-enemy strategy with regard to the monarchists. They gave the kiss of death to Hugenberg's organizations, to his party,

in the collapse of the Weimar Republic similar to that attaching to the diamond necklace of Marie Antoinette in the history of the French Revolution." ROSENBERG, ARTHUR: *A History of the German Republic*, trans. by Ian F. D. Morrow and L. Marie Sieveking, p. 291, London, 1936.

¹ Under the headline The Remembrance of the Kaiser Is Awakening Everywhere, *Der Aufrechte*, a monarchist sheet, reported public meetings held in honor of the Kaiser's birthday on Jan. 27. These mass meetings implemented a nationwide campaign for the return of the princes. Among the speakers were Count Perponcher, manager of the *Bund der Aufrechten*; the barons Mirbach, Massenbach, Biedermann; Count Moltke; Admiral von Natzmer; Major von Sodenstern; Ambassador Dr. Kracker von Schwartzenfeldt and many more of the nobility; also some professors, high-school teachers, and ministers.

On Jan. 30, 1933, when Hitler entered the chancellery triumphantly, Prince and Landgrave Wilhelm of Hessia and Princess Marianne of Prussia married at Tabarz, a Thuringian resort. *Der Aufrechte* characterized the sunshine as Hohenzollern weather and described Tabarz as an army camp. In honor of the prince, a high officer of the Elite Guard, "innumerable National Socialists had hurried to Tabarz. Elite Guard and Storm Troop members lined the streets leading to the church. The preceding evening the Steelhelmet, National Socialists, and the citizenry had honored the young couple by a torchlight procession." *Der Aufrechte*, vol. 15, No. 4, Feb. 20, 1933.

In October, 1932, the wedding of Princess Sybill of Saxe-Coburg-Gotha and Crown Prince Gustav Adolph of Sweden was celebrated in the then Nazi-dominated city of Gotha. The princess' father was, until 1926, the representative of the Ehrhardt brigade for Thuringia and its special organization for political murder, the Organisation Consul. Until recently he was president of the German Red Cross. The princely wedding was an occasion for a meeting of select aristocratic families from all over Europe. The names of the Earl and Countess of Athlone, Queen Mary's brother and brother-in-law of the Duke of Coburg, may stand for others. The Nazi administration of Coburg in the depression winter of 1932 appropriated special means for decorating the city, thus officially paying homage to the princes.

to the Steelhelmet (the veterans' organization), to nobles' clubs, and, in due course, to the social organization of the old officer corps. The Nazis, fearing the army for some time, however, continued to pay deference to them even while depriving them of power.¹

In a few months after their rise to power the Nazi party had monopolized all forms of organization, voluntary and compulsory. What in Italy had taken years, in Germany took only months to accomplish. National Socialism now monopolized also the distribution of honor. Hitler became the supreme recipient and at the same time the fountainhead of all honor.²

3. *National Socialism.* As a plebeian counterrevolutionary mass movement, National Socialism aimed at preparing Germany for war. Racist demagogues and practitioners of violence proclaimed themselves as the vanguard of the nation and usurped power. The Nazi party conquered the state with the benevolent tolerance of the "non-political" Reichswehr and of the law courts, and the half-hearted support and tolerance of the ruling classes. Party Maecenases made financial contributions; the German Nationalist party under Hugenberg cooperated with the Nazi party. Scherl and Hugenberg as lords of the press and of the motion pictures paved the way for Hitler, "the drummer." The *Landbund*, the pressure group of East Elbian agrarian capitalism, was the important economic organization that implemented the German Nationalist People's party. Other auxiliaries like the Steelhelmet, the *Kyffhäuser Bund*, regimental societies, and retired officers' organizations fell in line with Hitler's brown-shirt army and his bodyguard. Bourgeois liberalism had melted away, and labor, divided against itself, stood alone as opposed on principle to racism, chauvinist militarism, and imperialist propaganda for the recovery of colonies and "living space." The two labor parties polled 37.3 per cent of the electorate

¹ Ever since Generals von Schleicher and von Bredow were murdered in June, 1934, the Nazi party has had control over the army. Since February, 1938, the high command has been purged repeatedly. When the Reich League of German Officers was merged in January, 1939, with general veterans' organizations, the last important caste organization of the old-time officer corps was liquidated. The German officer was to become a soldier first and an officer incidentally. Being an officer became a job. The officer corps ceased to be an exclusive status group recruited by cooption. Cf. *New York Times*, Jan. 23, 1939.

² Cf. GERTH, H. H.: The Nazi Party: Its Leadership and Composition, *American Journal of Sociology*, vol. 45, No. 4, January, 1940.

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at the last free election in November, 1932. "Hitler means war" was the slogan of the labor press.

The Catholic Center party, as a religiously principled, politically opportunistic minority party, did not think so. They made ready to bargain with Adolf Hitler, who has never been declared an apostate by church authorities. The terror year of 1933 happened to be "holy year"; for the first time in modern history, the German Reich concluded a concordat with the Holy See. The Center party, just like the Italian Populists in 1920, voted for the dictator's enabling act, the death knell of the Republic. After the concordat had been signed, they voluntarily dissolved. The entry of the Gestapo and of the German army into Austria was greeted by Cardinal Innitzer with *Heil Hitler*, of course, for purely opportunistic reasons. Hitler abstained from disestablishing the Catholic church. In spite of all partial conflicts and permanent tensions, a break comparable to that between church and state in France in 1789 and again in 1904-1905 has been avoided by both the Vatican and Hitler. It will be recalled that Vichy reestablished priestly control over the schools. Hitler's new order demands devout humility, not uprightness and intellectual self-reliance.¹

¹ The case of the new Argentine policy offers a parallel. The government in December, 1943, dissolved "all political parties existing in the whole territory of the nation," and reversed the liberal educational policies established in 1884. Under the new regime the teaching of the Catholic religion has been made compulsory in all primary and secondary schools. Religious instructors are appointed by the government but must have the approval of ecclesiastical authorities. *The New York Times*, Jan. 1, 1944.

On Mar. 27, 1938, the Bishops of Austria "After thorough deliberation" and "free from anxiety" decided to issue an appeal to their faithful which received front-page display in the German press. They declared, "We joyfully recognize that the National Socialist movement has produced pre-eminent accomplishments toward the national and economic reconstruction as well as the social welfare of the German Reich and people, particularly for the poorer classes.

"We are also convinced that the National Socialist movement will avert the danger of atheist and destructive communism. The Bishops bless this activity for the future and admonish the faithful to do the same."

"On Plebiscite Day (April 10) it will be a self-evident and natural duty for us Bishops to profess ourselves as Germans and for the German Reich. We expect all faithful Christians to take cognizance of what they owe their people." *The New York Times*, Mar. 28, 1938.

Christmas, 1942, "two Franciscan friars of the Cloister of Saint Anna in Neuötting, Upper Bavaria, have received the Iron Cross for valor on the field of battle by order of Chancellor Hitler. A larger number of German priests

In power, the Nazi party fused with the revamped state machinery. A monopoly of organization reached into all orders and spheres of social life, supplementing voluntary Nazi associations by compulsory mass associations of youth, of professions, of wage and salary earners, of agriculturists, and of businessmen. Uniforms were to precede civilian clothes. The drive for coordination was implemented with terror shocks and propaganda campaigns imposing a new code of mass discipline upon the nation. "A complete system of military domination will always transform the whole machinery of state after its image, *i.e.*, it will impose a strict order of visible rank and distinction because subordination is its spirit."¹

THE RULING CLASSES

Nazi Caesarism worked because the Nazi political economy led toward full employment and a rapid expansion of capital goods industries without causing a startling rise of the price level and without showing overt inflationary tendencies. Wage and salary incomes were fixed and the expansion of consumer's goods industries was blocked. The state became the most important consumer: the armament boom was in full swing ever since Göring proclaimed "guns instead of butter" in 1936. German capitalism had always been largely fiscal capitalism; state-owned mines, railways, and other means of communication restricted the field for private capitalism. The Nazi organizations of business brought about a streamlined centrally controlled machine, geared toward destructive consumption of armaments in war, as the price for the ruling classes' bid for "Eurasia" and "Eurafrica." The officer corps, the *Junkers*, the large corporations, and the high bureaucracy blended with the party in the enterprise. German capitalism was transformed into that type of political capitalism which Max Weber has termed "booty

have volunteered for service in the German army either in ranks or as chaplains." *The New York Times*, date line, Frankfort on the Main, Jan. 1, 1942. For German Catholicism, cf. Waldemar Gurian, *Hitler and the Christians*, trans. by E. F. Peeler, London, 1936. TILLICH, PAUL: The Totalitarian State and the Claims of the Church, *Social Research*, vol. 1, No. 4, November, 1934, pp. 405-433. For a short sketch of the Italian situation, cf. Gaetano Salvemini, Is Italy a Catholic Country? *The Protestant*, August, September, 1943, pp. 47-54 and Georg La Piana and Gaetano Salvemini, An Answer to Don Sturzo, *ibid.*, January, 1944, pp. 20-27.

¹ BURCKHARDT, JACOB: *Die Zeit Constantin's des Grossen*, p. 66, Basel, 1853.

capitalism."¹ The technicalities of its structure have best been analyzed by Franz Neumann.²

The compulsory features of the structure have frequently blurred insight into the capitalist nature of Nazi booty capitalism. A comparative glance at Venetian booty capitalism during the Renaissance, *mutatis mutandis*, shows clearly some identical features. Walther Lotz in his study of public credit in Italy during the Middle Ages concludes:

Where the capitalist stratum controlled political power . . . compulsory loans had nothing frightful for them. Often the compulsory loan lost the nature of a sacrifice and appeared to the wealthy as an opportunity for profitable investment of momentarily idle means. This was especially the case when the costs of the debt service were covered by taxes on consumers' goods burdening the poorer strata.³

That Germany's entrepreneurial class has not disappeared and has not been displaced by a new stratum is obvious from the figures published in *Business Week*.⁴ Among the 25 largest corporations in 1939, 499 of the 545 top officers had held important positions in those firms in 1932. Among the 43 largest corporations, 101 of the 104 board chairmen and vice chairmen had held executive positions in 1932. It has frequently been shown how German corporations have waxed fat on the confiscations of Jewish properties, spoils of

¹ The manager of the economic chamber of Hessa, H. Savelkouls, correctly characterized, in 1941, the change toward militarily disciplined booty capitalism when writing, "Many complaints about the displacement of the entrepreneur take the former ideal of the captain of industry for their point of departure. This image nowadays is neither an ideal nor is it reality. The economy no longer is a tossing ocean, and the enterprise generally is no sailing ship. The heroic captain of industry has no business there, apart from fiction, films, and some very rare occasions. Now during the re-ordering of Europe a period of grandiose opportunities may well be at hand. Experience, so far, however proves that many captains prefer the steady breeze of state guarantees to the unpredictable weather of adventures. They like best adventure plus state guarantee." *Frankfurter Zeitung*, Der Unternehmer, Aug. 28, 1941.

² NEUMANN, FRANZ: *Behemoth. The Structure and Practice of National Socialism*, Parts II, III, New York, 1942.

³ LOTZ, WALTHER: Zur Geschichte des öffentlichen Kredits im Italienischen Mittelalter, *Sitzungsberichte der bayrischen Akademie der Wissenschaften*, Philosophisch-historische Abteilung, Jahrgang 1931-1932, Heft 5, p. 6, Munich, 1932.

⁴ Between the Devil and the Deep, *Business Week*, No. 730, Aug. 28, 1943, pp. 74, 76. Cf. *In Re: Germany*, p. 98, vol. 3, Nos. 8-9, August, September, 1943.

conquest, intensified exploitation of cheap wartime labor, German and foreign, and the decimation of Germany's small businessmen.

The most flamboyant case of a Nazi booty capitalist is Hermann Göring. He built an industrial empire incorporating gravel pits in the Harz Mountains, Austrian iron mines, Norwegian iron ore, Czechoslovakian industries, Rumanian oil and wagon and motor works, Danubian steamship lines, and much more.¹ According to *The New York Times* of Jan. 18, 1941, the Hermann Göring works employed about 600,000 workers; the properties were estimated to be capitalized at 652 million mark. It is hardly possible to tell what is strictly state property and what is private property.

National Socialists never actually meant to expropriate "creative capital." And the *Frankfurter Zeitung* in May, 1941 defined the "Socialist order" as "being based upon competition and private property." "Self-government . . . or still better the creative initiative of individuals on the basis of private property and competition will characterize a German Socialist order, will facilitate the synthesis of the State and competition in our economy."² To be sure, these statements came at a time when German business was deploying over Europe to win "collaboration." In disciplined fashion the corporations advanced toward incorporating Europe's business, harnessing it for the *Drang nach Osten* by permitting others to share in the war boom. Even Swedish and Swiss businessmen willy-nilly became junior partners.

To the extent that German industry swung into its stride after the great depression, absorbed the unemployed, consummated another technical revolution centered in the chemical and electrical industries, set up the aircraft industry, to that extent the Nazi party made ready to allocate prestige to the new businessmen, building them up as inventive geniuses and titanic technocrats.³ The Ger-

¹ LACHMANN, KURT: The Hermann Göring Works, *Social Research*, vol. 8, No. 1, February, 1941, p. 40, and More on the Hermann Göring Works (note), vol. 9, No. 2, 1942, pp. 396-401.

² Gute Verwaltung, eine Aufgabe der Wirtschaft, *Frankfurter Zeitung*, May 2, 1941. See also, Competitive Socialism, *ibid.*, June 1, 1941.

³ On his seventieth birthday Dr. Ing. e.h. Hans Techel, constructor of U-boats, received the Goethe medal from Hitler. *Hamburger Fremdenblatt*, Feb. 13, 1940.

"It is highly significant that the organizations in the armament industries—the so-called 'general and special committees'—are managed exclusively by technicians and engineers, entrepreneurs being admitted to the boards only in so far as they happen to be technicians." BLOCK, HERBERT: Industrial Committee versus Small Business, *Social Research*, vol. 10, No. 2, 1943, p. 186.

man press during recent years systematically glorified eminent businessmen, technicians, inventors, both living and dead. Thus the slogan "men make history" was implemented, and political indifference was bred through the promotion of a cheap escapist hero worship, a middle-class tradition ever since nonpolitical Bismarck biographies became a Christmas present in Germany. The suppression of the individual, his reduction to a mere number was implemented and screened by the glorification of "supermen." State actor and UFA shareholder Emil Jannings impersonated "the ruler" (*Der Herrscher*) on the screen during the mid-thirties. "The ruler" portrayed a "Faustian" businessman who was not concerned with profits but rather with inventions for the sake of "autarchy." The legend of the solitary genius was refurbished with the paranoid touch and the Nazi Socialist point "Creative versus profiteering capital!" (*Schaffendes, nicht raffendes Kapital!*)

Since 1937, competitions have been organized in which plant is pitched against plant, as Carnegie did in the United States some decades ago without "Socialist" fanfare.¹ As firms bear the name of the owner family, success means value in commercial advertising and social prestige for the family, and class loyalties are combatted in the name of plant loyalties. On Labo. Day, May 1, 1941, the highest honor, a golden flag, was bestowed upon 419 firms; over 10,000 honorific badges were distributed, 3,000 of which were for special merit.² The Schultheiss-Patzenhofer brewery and the Heinkel aircraft works are among the "National Socialist model enterprises," which in 1937 numbered 30.³

Since 1940, the title of "pioneer of labor" has been conferred upon outstanding industrialists and bureaucrats. The first to receive this title was seventy-year-old Krupp von Bohlen und Halbach.⁴ On the following Labor Day, in a setting of workers, machines, swastikas, party units, etc., at the Messerschmitt works, Rudolf Hess decorated Dr. Willy Messerschmitt, the designer and manufacturer of the Messerschmitt planes, Max Amann, the lord

¹ Cf. GOWIN, ENOCH BURTON: *The Executive and His Control of Men*, pp. 151ff.: The Emulation Policy, New York, 1916.

² *Deutsche Allgemeine Zeitung*, May 2, 1941.

³ *Ibid.*, May 1, 1937, and May 8, 1941. Ernst Heinkel received the "Prize of the German Nation for Art and Science" at the party congress 1938.

⁴ Some of Krupp's old workers will recall that Dr. von Bohlen, Imperial career-diplomat, married Bertha Krupp, Alfred Krupp's only daughter and heiress. At the time, the Kaiser honored the couple by attending the wedding.

of the Nazi press, and the *Reichspostminister* Dr. Ohnesorge, who holds the membership ticket No. 43 of the Nazi party. Wilhelm von Opel received the cross for merit in war service (*Kriegsverdienstkreuz*) which is, however, a less exclusive decoration bestowed upon 300 workers from different parts of Germany in 1941. Hitler's deference to Emil Kirdorf of the Vereinigte Stahlwerke, one of his earliest industrial supporters, has often been mentioned. Kirdorf, upon whom the monarchy had bestowed the Prussian order of the Red Eagle and the Crown order, accepted from Hitler the Eagle and Shield of the Reich. The Chancellor attended Kirdorf's eighty-ninth and ninetieth birthdays.¹ Göring's pompous wedding at the Berlin opera house occasioned a gathering of *Junkers*, bankers, industrialists, generals, and party chieftains.² Old wealth and new wealth have joined hands in the swift concentration and expansion of cartelized industrial power steered from Berlin. The National Socialists aimed at and succeeded in attaching to themselves an officially honored stratum of industrial leaders who fused socially with the ascending booty capitalists of the Nazi party, such men as Max Amann, the publisher, Göring and his entourage, and the managers of the Gustloff works. The history of "collaborationism" reaches further back than to France's fall; its ramifications are broader than the agreements of the I.G. dye trust and Standard Oil would indicate. One may recall Sir Henri Deterding.³

¹ *Deutsche Allgemeine Zeitung*, May 2 and May 17, 1941; *The New York Times*, July 14, 1938.

² In 1942, Louis P. Lochner, for years head of the American Chamber of Commerce at Berlin, and also head of the Associated Press staff, upon his return to this country played up the question whether Göring might be a possible alternative to Hitler. Lochner then reported it to be the "general opinion" among close observers of Göring "that he is by no means wedded to the Nazi faith." According to Lochner, Mrs. Göring "intervened for many hapless Jewish artists." "Göring always has remained a monarchist at heart." This selective and wishful perspective on Göring is of course carefully nurtured inside and outside Berlin. It taboos the brown-shirt terrorist Göring, the incendiary of the Reichstag (as shown up by Dmitrov), the instigator of General von Schleicher's murder, the organizer of the police and of the terror of 1933 whose notorious shooting order set off shots heard around the world. *The New York Times*, June 7, 1942.

³ Sir Henri Deterding, the late oil king, whose fortune was estimated to amount to 200 million dollars in 1936, one year before his retirement from the directorship of a group of 200 companies with 40,000 employees, "presented 10,000 guilders' worth of Netherlands cattle and farm products to the German Government, explaining that he did so as a contribution to the fight against

It is the owner-managers of the various monopolies in council with some party men, General Staff officers and fixers who direct the processes that yield profits and power. The much overrated Prussian *Junkers* share in the process of despoliation, but economically they are merely junior partners. They are more conspicuous in the General Staff, in the officer corps, and in diplomatic positions. One encounters in the Elite Guard, in the Gestapo, and in the Security Police, though not in top positions, good old Prussian names like von Arnim, or Baltic names like von Stackelberg, von der Ropp, and others. "Balticus," an experienced and intelligent observer, correctly states:

It is not a mere coincidence that the Prussian military aristocracy, which for many generations has provided the German army with its best staff officers, today sends many of its sons into the Gestapo and particularly into those offices requiring hard and constant intellectual application. The work is not with regiments and divisions, but with single individuals, represented by dots connected by lines with other dots. Often it is not very different from the war games of the General Staff. . . . The ranking officials as a group resemble an officers' corps more than a civil service group.¹

The *Junkers* ever since 1918 have learned that power tastes sweet even if wielded from behind the somber screen rather than in the Wagnerian limelight of Kaiserdom. If there were some skeptics and tory aristocrats left as late as 1941, they did not count. The *Junkers* were surprised and taken in by their own traditional readiness to respect nothing but military power.

Economically the *Junker Eupatrids* did not fare badly. What was marketable of Germany's 25 million hogs was driven eastward because of the Nazi stoppage of Russian barley and western corn imports. The hogs, contributing about 65 per cent of Germany's meat supply, migrated from the northwestern peasants' sties to the

Bolshevism. Sir Henri appropriately was buried on his estate in Mecklenburg, Germany." *The New York Times*, Feb. 5, and 7, 1939.

For such foreign contributors to the Nazi cause, Hitler, in 1937, created a medal, the *Verdienstorden vom deutschen Adler*. Hitler personally confers the honor. *Deutsche Allgemeine Zeitung*, May 1, 1937.

¹ BALTICUS: The Two G's, *Foreign Affairs*, vol. 17, No. 3, April, 1939, p. 500. Cf. VAGTS, ALFRED: Hitler's Second Army, *Infantry Journal*, pp. 19, 81, 84, 114, 191, Washington, D.C., 1943.

potato regions of the east-Elbian *Junker* and to the garbage-based municipal pigsties of Nazi magistrates.¹

Just as Nazi imperialists gained ascendancy in the industrial sector so they entrenched themselves in the agrarian sector. Estates of Polish nobles and peasants came under the steam plow, and party rulers parceled out conquered territory to migrant German minorities, among them Baltic barons. In April, 1941, the von Stackelberg family, in the van of the Nazi army, gathered at Posen for a family reunion to survey the new opportunities in the *Warthegau*.² The example may stand for many others. This was to be the way by which Achim von Arnim, admirer of the British aristocracy and high in the Elite Guard, hoped to abolish the "proletarized nobles" and stage the comeback of territorial lords on the eve of another wave of agrarian revolutions due in eastern and southeastern Europe.

The conquered territory was to be secured for the *Junker* landlords by "defense peasants," veterans of the present war carefully selected for fitness as producers and fighters. The core of the fortress was to be a model farm,³ through which steam engines, seeds, and machinery were to be loaned to the settlers. Himmler's Gestapo had organized a settlement corporation charged with the operation of this program. It goes without saying that the minority Germans who pioneered in the venture now share the prestige of Himmler's Elite Guard and the idealization of the martyred minorities of *Volksdeutsche* rescued from Bolshevism and devoted to "German pioneering" on the Slavonic frontier.⁴

We may infer that it was this prospect of "settling" peasants that brought to a halt earlier Nazi aspirations like those of Gauleiter Koch in East Prussia. Koch, who became the chief civil administrator of the Ukraine, in the early thirties championed

¹ SHAW, EARL: Potato-fed Swine in Germany, *Economic Geography*, Worcester, Mass., vol. 18, No. 3, July, 1942, pp. 287-297.

² Familintag in Posen, *Das Reich*, Apr. 20, 1941.

³ Cf. Höfe, Dörfer und Städte im Deutschen Osten, *Deutsche Allgemeine Zeitung*, Mar. 25, 1941. Zehnjahresplan im General-gouvernement, *ibid.*, May 28, 1941. Also *The New York Times*, Feb. 19, 1940.

⁴ KULISCHER, EUGENE M.: *The Displacement of Population in Europe*, International Labour Office, pp. 171, Montreal, Canada, 1943. Hitler's Transfers of Population in Eastern Europe, *Foreign Affairs*, July, 1942, vol. 20, No. 4, pp. 705-718. For sex, age, and occupational composition of the 219,831 resettled migrants from Estonia, Latvia, Volhynia, Galicia, Narev territory, and the Eastern Government General see, Bilanz der Umsiedlung, *Das Reich*, Feb. 2, 1941. Bauernland im Osten, *Das Reich*, Jan. 26, 1941.

peasant settlements at the expense of Prussian *Junkers*. He hoped for a "mixed economy" of large, medium, and small holdings, industrial corporations, and small shops, more evenly spread throughout eastern Germany. The census figures show that the Nazis distributed some spoils among their rural following but soon neglected their sham settlement program and then trained for *Landhunger* in a big way.¹

THE MIDDLE CLASSES

The Nazi party, as is well known, came into power by exploiting the despair of the old and the new middle classes. The contradictory election promises of the party demagogue captured their imagination. One of the most interesting schemes for alleged middle-class benefit was the establishment of the "neo-nobility of blood and soil," the hereditary peasantry. Their solution was to be "entailed estates" for the "little man," comprising from 18.5 to 308.6 acres. According to Dr. Wilhelm Sauer's official guide to the "Hereditary Farm Law" the code

. . . raised the name of *Bauer* (peasant) once again from the debasement to which it has been subjected in the comic sheets of the metropolitan press. Once again it has become a name of honor. In fact the peasants form a class, representing particular ethnic and national values, and are charged with special duties upon which the state has bestowed a distinctive position—a position which brings with it greater rights and likewise greater responsibilities toward fellow citizens.²

¹ Whereas in 1933, 20,719 persons had been settled on 4,914 holdings comprising 107,058 hectares of land, in 1937 only 8,429 persons, i.e., less than one-half, were settled on 1,894 holdings comprising 65,859 hectares. *Statistisches Jahrbuch für das deutsche Reich*, 1938.

² SAUER, DR. WILHELM: *Das Reichserbhofgesetz*, p. 18, Berlin, 1933. Quoted in J. K. Galbraith, Hereditary Land in the Third Reich, *Quarterly Journal of Economics*, May, 1939, No. 3, pp. 465-476. The prestige ascribed to the peasant is reflected in the eighth edition of *Meyer's Lexikon* which in 1936 appeared "fully revised." The articles from "Agrar" to "Agrarzoelle" have increased from hardly one column in the 1924 edition to 14 columns. The article "Bauernschaft" (peasantry) includes as many as eight pages of photographs ranging from a full-page "sower" to photographs of tools, houses, costumes, and portrait studies. The article "Amerika," on the other hand, has been reduced from 13 columns text and five pages of illustrations to five columns text without illustrations. The reader will learn under the article "peasantry" that "Jewish intellectuals hand in hand with the press servile to Jewry have created the image of the 'stupid peasant'." A little farther down under "Bauerndichtung" (peasant poetry) the reader will learn that

The hereditary farm law, as is known, brought property security to the rural middle classes, and the displacement of the inefficient farmer now takes the form of court action. The inefficient or non-conformist producer is declared incapable of adequately farming his land and is then either placed under the tutelage of an advising manager appointed by the Food Estate or expropriated and replaced outright by such an appointee. Such property security as the Nazis provided went together with the regimentation of the 9 million agriculturists in the "Reich Food Estate," the compulsory agrarian cartel. Like the party, this organization extends its machine into every village; it prescribes how much artificial fertilizer the farmer has to purchase, what and how much to produce, where, when, and what to sell at what prices, and whom to employ on his farm. Farming knows no "production secrets," it is open to the neighbors' eyes. The hereditary peasant cannot leave his farm and cannot sell out or dispose of it at will. Even the freedom to choose among possible heirs is gone. "The law has in practical effect been a confiscation of farm property for the benefit of the heirs who are eligible under the law."¹

The farmer has been taken out of the market and can no longer obtain credit at will, but only at the command of the self-sufficiency strategists. Investment credits for the expansion of silos and the provision of laborsaving machinery were forced upon him. Thus the promised "breaking of the interest bondage" was not consummated by the Nazis. Dr. Reischle, high in the Food Estate, cried out, "The peasant would have fared better without intensification of production! There is a very simple proof of this statement: the pile of debts of about 12 billion marks (4 billion dollars) with which agriculture came out of the Republic has hardly changed up to now."²

"even Neidhart von Reuenthal (early thirteenth century) considers the peasant a boorish simpleton (*groben Toelpel*). Literary satire down to the sixteenth century thus confronts the peasant with the world of chivalry and later with the world of the burgher. Hans Sachs usually presents a distorted caricature of the peasant."

The most comprehensive summary of national-socialist literature is Hans F. K. Günther, *Das Bauerntum als Lebens- und Gemeinschaftsform*, pp. 673, Leipzig and Berlin, 1939.

¹ GALBRAITH, *op. cit.* The court pronounced that a seventy-four-year-old peasant had forfeited his qualification as a peasant (*Bauernfähigkeit aberkannt*), because he consistently refused to hand over his farm to his thirty-eight-year-old son, the father of four children. *Hamburger Fremdenblatt*, Jan. 24, 1940.

² Aufrüstung des Deutschen Dorfes, *Das Reich*, Feb. 23, 1941.

That was in the winter of 1941. The farmers had remained in "debt bondage." The *Frankfurter Zeitung*, representing the fertilizer-selling I.G. dye trust, answered Dr. Reischle facetiously that Hitler's slogan, after all, had referred only to foreign creditors and that hence the farmers should feel "freed." To the debtor, however, when pressed, the nationality of the creditor makes little difference; and the German farmer is pressed.

The "flight from the land," German's rural population having decreased from 20.8 to 18 per cent between 1933 and 1939, has shown most obviously that it requires more than Nazi propaganda under a Junker-controlled and Göring-steered policy of agrarian capitalism to make the farmer stick to the soil. "It is significant that peasants who had to sell out to the state in order to make room for airports, speed highways, garrisons, etc., and who received compensations in cash, only in very few cases take up farming elsewhere. The majority invest their money more profitably in urban properties."¹

One of the major problems of the farmer is the labor shortage. In 1939, 55 per cent of those gainfully employed in German agriculture were women. The number of gainfully employed had dropped by 14 per cent from 1933 to 1939; 230,000 more women, an increase of 5 per cent, had gone into farming. The number of women owning farms had been curtailed by 19 per cent within these 6 years; there were about a quarter of a million female owners left. Women in white-collar positions in farming withdrew at the rate of 40 per cent. Only female farm hands had not decreased; there were 800,000 of them in 1939.²

The "grumblers" spoke up. Ludwig Hermann, a fanatic Southwest-German Nazi, notes the proletarization of the small peasant and his reluctance to believe in the Nazi solution of his problems. Says Hermann, "Is it not a sin against the Creator if to date the worst gaps in farm labor have to be filled by idiots or even criminals? Is the scum of the earth just good enough to provide food? That is a desecration of our daily bread!"³

Youth, unless compelled, stays away from farm work. In a large agrarian region of northeastern Germany the average age of land laborers was stated to be forty-five years.⁴ Even before the

¹ HERMANN, LUDWIG, So steht es um die Deutsche Landwirtschaft, *Union Deutsche Verlagsgesellschaft*, p. 158, Stuttgart, 1938.

² *Das Reich*, Jan. 19, 1939.

³ HERMANN, *op. cit.*, p. 162.

⁴ HERMANN, *op. cit.*

war, party and government officials had been conscripted for farm work during the harvest.¹ During the war, prisoners have been farmed out to farmers and industrialists; they receive 60 per cent of the regular wages and depreciate the job in the eyes of the German worker.

The Nazis tried to counteract the flight from the land and the devaluation of farm labor by declaring the farm hand a skilled worker. The Labor Front set up a special training course² requiring employment on different farms, hence job mobility. This enforced mobility aims at greater exploitation and atomization of the labor force. It has long been known that the stranger like the Polish seasonal worker in Germany works harder than at home on his Polish landlord's estate.³ Years of mobility should be followed by attachment to the employer's estate. A tied cottage with some garden land and animals were to give the farm hand a small stake in property, an interest in high prices for agricultural products rather than in high wages. He should be alienated from the industrial worker and urban consumer, as was the rule for the *Instmann* in Schleswig-Holstein and East Elbia, the *Kossäthe* in Westphalia, and the tied cottager in England.

In central and western German villages class differentiations have been sharpened. Close to industrial centers the commuting worker emerged. He still had one foot in agriculture. His wife by feeding a goat, a pig, perhaps even a cow, eked out of 2 acres something contributive to the household. Many of these interstitial

¹ Cf. *Gauleiter* Buerckel's order "to suspend office work and proceed to the country as harvest help. . . . After this ten day period all district and office chiefs will report where and how long every individual has been employed," *The New York Times*, Aug. 4, 1939.

² "The Minister for Economy in Saxony has issued special orders for the training of sheep-herdsman's apprentices. The training lasts three years. It must take place under the supervision of a master shepherd who must be accredited by a master shepherd's certificate drawn up by the country's peasants' organization. To become a master shepherd one must, before the date of the examination, give documentary evidence of ten years' work as a sheep-herdsman inclusive of the time of apprenticeship. There is to be created a new professional register for the shepherds' profession. Only those registered will in future be allowed to carry on the profession and to tend the sheep." *Berliner Tageblatt*, Oct. 30, 1935. Quoted in *Nazi Guide to Nazism*, ed. by Rolf Tell, American Council of Public Affairs, Washington, D.C., 1942.

³ "That the simple fact of a change of residence is among the most effective means of intensifying labor is thoroughly established," etc. WEBER, MAX: *The Protestant Ethic and the Spirit of Capitalism*, New York, 1930, trans. by Talcot Parsons, p. 191, fn. 20. *Aufstieg im Dorf, Das Reich*, June 8, 1941.

elements between urban and rural society, already radical driftwood under the Republic, have been deprived of their land. It has been taken over by the richer peasants in order to round out their "hereditary farms." Thereby the social tension between propertied and unpropertied in the village has increased. "Given our present economic system, this mixture of millhand and smallholder will soon belong to the past."¹

The Nazis resorted to further methods of disintegrating the traditional village community and imposing bureaucratically planned differentials, decisive factors for atomizing the farm population and winning elements for party leadership. During the first phase of "blood and soil" propaganda they organized the "pageantry of the past." At gigantically staged harvest festivities at the Bueckeberg, lowly peasants were picked out and built up into models of aspiration. Residential stability of the peasant's family for several centuries, racially "pure" pedigree, at least four children, a good Nazi record, and success in farming were the prerequisites for receiving from the farmers' Reich leader a wooden plate decorated with umber sheaf and silver motto.²

By 1938 the farmhouse was included in the antiquarian sentimentalization, compensating the peasant for his sweat and hopelessness by organized showers of deference. All old farmhouses were to be surveyed within two years; 250 to 300 types of "house landscapes" were to be defined and then to be placed under state protection as "national monuments." "The German farmhouse represents common national property at least as important as castles, churches, and monasteries."³

¹ HERMANN, *op. cit.*, p. 153.

² At the outbreak of the war 5,158 peasant families had been officially honored. Bavaria headed the list with 1,248 honored families, Württemberg followed with 784, Pomerania with 466, and lower Saxony with only 271 families. This was to be the beginning. Pedigree research had not made sufficient progress and Darre stated that according to the Food Estate's specifications, 150,000 families were likely to qualify for special honors. The neo-nobility of blood and soil does not necessarily exclude old nobility, as the von Rheden family was declared to head the Reich list with a holding south of Hanover, in the hands of the family ever since 1225. *Das Reich*, May 25, 1941.

The press carries the "news" that the Rademacher family on Feb. 13, 1940, will have resided on their farm near Bremervörde for 300 years. The family has owned the farm since 1640 when Adrian Rademacher acquired it by marriage. Every one of his successors for the last eight generations reared five to eight children. Thus the "blood lines" of many families of the district intersect on this farm. *Hamburger Fremdenblatt*, Feb. 13, 1940.

³ *Frankfurter Zeitung*, Nov. 13, 1938.

The drive against the small businessman in trade and industry, against the artisan and shopkeeper, in rural society was paralleled by "combing out" of the dairy industry. Twenty-five per cent of the dairies were liquidated by the Nazi bureaucracy.¹

The urban middle classes have been no less disappointed by the Nazis than their rural brethren. The "creation and maintenance of a healthy middle class" had been one of the cardinal points of the Nazi party program, declared "unalterable" by Hitler in 1920. But the compulsory price system imposed in 1942 and based on the costs of the lowest cost producer, forced the small businessman, the artisan, and the small capitalist to operate on the very margin of loss, to close down and enter the large factory with his tools and men, or to become a satellite of the large corporations under a system comparable to the "putting-out system" of merchantilist days.² In the spring of 1943 it was announced that 125 newspapers were to be "either suspended or amalgated with other journals, increasing the circulation of those who would survive."³

Dr. Goebbels, speaking at the *Sportpalast* in February, 1943, tried to reassure the proletarized middle-class elements. "After the war," he said, "the middle classes will at once be reinstated economically and socially. Present measures are exclusively emer-

¹ "The program for German dairies aimed at liquidating unprofitable and inefficient small enterprises. . . . The 8,500 dairies of 1933 were reduced to 6,400 by 1938." During the rationalization process, which by 1938 was not yet completed, 250 million marks were invested in dairies. Whereas in 1932 dairies processed 9.3 billion kilograms of milk, in 1938 they processed almost 15 billion kilograms. The increased control of the farmer and of the distributing process made it possible to increase the share of standard butter from 36.1 per cent of the total in 1934 to 76.5 per cent in 1938. The reduction of margarine factories and the increase in butter prices made for a rise in butter production from 420,000 tons in 1932 to 500,000 tons in 1938. At the same time the consumer had been steered from whole to skim milk. *Hamburger Fremdenblatt*, Feb. 19, 1940.

² For a detailed analysis, cf. A. R. L. Gurland, Otto Kirchheimer, Franz Neumann, "The Fate of Small Business in Germany," Senate Committee Print, 78th Cong., 1st Sess., Washington, D.C., No. 14, 1943. In conclusion the authors state, "The trend of development thus becomes clearer every day. Two groups divide among themselves the whole power of the people: The National Socialist Party and big business. It is they who control the fate of Germany and of occupied Europe." Cf. also H. K. Kaddeburg, German Retail Trade and Handicrafts Today, *Foreign Commerce Weekly*, vol. 11, June 12, 1943, pp. 3-4, and Herbert Block, Subcontracting in German Defense Industries, *Social Research*, February, 1942, vol. 9, No. 1, pp. 4-21.

* *The New York Times*, Mar. 13, 1943.

gency measures for the purpose and for the requirements of the war. No structural change in economic life is intended.”¹

Such assertions, however, are known to be characteristic of Goebbels. Only one month later Hitler declared; “The National Socialist state will work after the war toward realizing a program which will ultimately lead to the complete removal of all class differences and to the establishment of a true Socialist community.”² That remark was aimed at the workers. The “classless society” of Karl Marx was held out to them “after the war.” Hardly a year later Hitler explained that he was already working on it during the war. He praised “the Socialist revolution in the structure of the nation” in which “the old state made up of various opposing classes of society had been transformed by cautious steps into the new Socialist organism.”³

THE LABORING CLASSES

What has Hitler’s booty capitalism to offer to German workers besides an ocean of “blood, sweat and tears”?

Obviously the worker has been made an outright state slave. He can no longer choose his employer, leave his job at will, express his views, or proclaim his wants. He works under military discipline from 14 to 16 hours a day and receives just what is indispensable to keep him going. The Labor Front official, Prof. Arnold, in charge of occupational training and entrepreneurial management, exhorted businessmen in March, 1937, to consider themselves *Kompanieführer ihrer Gefolgschaft* (“commanding officers of their labor force”).⁴ They do indeed.

The transfer of functions of the household to the industrial corporation, the so-called “welfare capitalism,” has been promoted by the Nazis. In planning for air defense canteen service has been extended.⁵ In large establishments air-raid shelters and mass

¹ *Ibid.*, Feb. 19, 1943.

² *Ibid.*, Mar. 22, 1943.

³ *Ibid.*, Jan. 31, 1944.

⁴ *Der Unternehmer von Heute, Frankfurter Zeitung*, Mar. 28, 1937.

⁵ Since February, 1938, the Labor Front launched a propaganda campaign for warm meals in the plant. Most of the large factories had canteens which offered warm meals at moderate prices, facilitated through subsidies of the corporations. But “the real problem lies in the fact that only a small part of the employees patronize the canteens.” Salaried employees make more use of canteens than do wage workers. In a large Berlin food factory employing several hundreds of women workers, hardly 50 workers avail themselves of the

dormitories were constructed even before the war. Symphony orchestras were "invited" to perform in factories; art exhibitions and hobby shows, factory movies, factory baths, and rifle ranges were to complete the usual round of corporation-sponsored social activities and clubs of employees. Preventive medicine was systematically promoted to the extent that the enterprise resembled an army.

More than this "welfare capitalism," the rising employment of women tended to nullify the original Nazi concept of womanhood.¹ Even though the home lost many of its functions, the Nazi aims in population policy did not change.

Deference is paid to mothers of more than four children. They are cited honorably in the newspapers and receive a badge, the "mother's cross," and are entitled to be served first wherever lines are queuing up. Hitler youths have to salute decorated mothers.

canteen service which offered warm meals at 20 *pfennigs*. At another large enterprise, charging 45 *pfennigs*, the majority of the workers preferred to eat their sandwich and confined themselves to milk and tea, mainly because it was cheaper. Also, the half-hour rest period did not allow adequate time to wash one's hands, obtain a plate, and eat a warm meal. The worker preferred to eat at leisure what he brought from home.

Since the war the Nazis have developed with thoroughness the scientific technique of provisioning. An M.D. and scientist, Prof. Dr. Ludolph Brauer, was put in charge of a "research institute for work technique, aging, and wearing out of the organism." In cooperation with the health bureaus of the Labor Front and Party, a provisioning system was planned for factory canteens and labor camps, for peace and rationing periods, for normal consumers, men, women, heavy workers, sickly people, vegetarians. One hundred and fifty recipes were worked out, alphabetically, listed and indexed according to egg white, fat, carbohydrates, calories, vitamins, and price in *pfennigs*. Thus provisioning of the labor force had been made rational from production to consumption. The outcome is still doubtful. Already in 1937, Prof. Horster, Berlin, had stated that in the industrial districts of the city an especially high percentage of hospital cases is represented by those suffering from stomach ailments. "Many women workers complain about a sensitive stomach and express their preference for eating at home. The factory meal, they say, lies so heavy in their stomachs." Kantinen und Stullen, *Frankfurter Zeitung*, Feb. 16, 1938. *Verpflegetechnik*, *ibid.*, June 8, 1941.

¹ When personnel managers, in 1939, hesitated to fire young secretaries and replace them by retired older secretaries, the official *Korrespondenz* of Dr. Ley's Labor Front warned, "It is exactly older women, unburdened by outside affairs and desires, who are indispensable. Don't be guided by outward impressions. Highest objectivity is necessary, especially in hiring women." *The New York Times*, July 2, 1939.

Marriage loans are less popular now than they were when employment was low. The loan was reduced from 1,000 to 600 marks in April, 1941, and, as Goebbels's paper *Das Reich* puts it, "since the beginning of the war fewer marriage loans are requested. Many soldiers in the hurry of marrying may not have thought of the opportunity, many may have been frightened away by the two months period which the examination and processing of the applications usually required."¹ It is unlikely that the consumers' goods industry, furniture, children's wear, etc., kept pace with the increase in marriage rates. And restricted production tends on the whole so much toward the high-priced article that the consumer of modest means is in danger of no longer finding articles of his choice.²

Fashion changes have been repressed, or rather have been reserved for the ruling classes and highest levels of the "New Order." The bulk of the population are persuaded to take pride in a principled shabbiness, be it of the brown-shirt or overall variety. Uniforms, of course, loom large; the tailors state that one out of three Germans is in uniform.

There is only one consumers' goods industry that expanded: the entertainment industry, selling celluloid escapism to over-worked, bombed, and harassed masses. Since the beginning of the war movie audiences have grown from 41 million annually to about 85 million in 1940-1941. Net receipts increased from 345 million marks to about 690 million marks. As the number of films produced dropped from 151 in 1938-1939 to 68 in 1941-1942, the films were shown for a longer time and to larger audiences and hence were commercially more profitable.³

The rapidly expanding war economy led to a number of changes in housing. Even before the bombardments it had become necessary to station workers in Berlin hotels. Young working-class lads were removed from their families and garrisoned on factory sites, particularly at the Hermann Göring works along the *Mittelland Kanal* and at the Gustloff works in Thuringia. During the construction of the speed highways in the first half of the thirties the workers were quartered in barracks and accustomed to military working conditions. The construction of the western and eastern

¹ *Geld zur Heirat, Das Reich*, Apr. 13, 1941.

² Die wohlfeile Qualität, *Frankfurter Zeitung*, May 25, 1941. The article states that the wholesale prices for shoes may be raised by 10 per cent over those of 1938.

³ *Neue Zürcher Zeitung*, quoted in *The New York Times*, Jan. 4, 1943.

fortifications of Germany in 1938 set the pattern which during the war was to cover "Fortress Europe" from the North Cape to the Riviera and from the Atlantic Wall to the Carpathians.

By November, 1941, average hourly wages were 14.5 per cent lower than in 1928. Wage policy aimed at increasing the distance between skilled workers and the ever-growing percentage of semi-skilled and unskilled labor, largely recruited from women. The employment of women helped in turn to lower the wage level. Whereas the wage decrease for skilled male workers amounted to only 3.4 per cent, among semiskilled and unskilled male workers it was 20.4 and 21 per cent, respectively. Among skilled and semi-skilled women the decrease was 34.9 per cent, for unskilled women 44.8 per cent.¹ Between 1933 and 1938 the number of women wage earners in manufacturing industries rose by 53.2 per cent. In capital goods industries the increase was 82.9 per cent, in consumer's goods industries 35.8 per cent. This tendency has continued to operate during the war years.² In November, 1942, the number of women wage earners is estimated to have reached 9.2 million in industry, representing one-third of the total of 27 million industrial workers on the eve of the war. To this labor army, one must add the 110,000 girls of the "Labor Service for Women" who in the spring of 1940 were organized in more than 2,000 work camps.³

The chronic labor shortage spurred technological advances, wage scales fostering competitiveness, and rising efficiency standards. "In the building industry alone 400 official time studies have been introduced for tilelayers, 80 for plasterers, and 110 for concrete workers."⁴ The mobility of building workers especially and the scope of the military projects made for the imposition of standardized job definitions and wage scales, lest the variations of shop traditions among the numerous small firms should cause frictions and unpredictable difficulties. The building workers were to be handled like a working army whose performance should be calcu-

¹ Die Tariflöhne im Jahre 1941, *Wirtschaft und Statistik*, Berlin, vol. 22, No. 2, February, 1942, pp. 46-47.

² Frauenarbeit, *Frankfurter Zeitung*, June 6, 1939. GRUNFELD, JUDITH: Mobilization of Women in Germany, *Social Research*, vol. 9, No. 4, November, 1942, pp. 467-494.

³ SPECK, P. A.: Foreign Workers and Manpower in Germany, *Monthly Labor Review*, Washington, vol. 57, September, 1943, pp. 495-498. *Deutsche Allgemeine Zeitung*, Feb. 10, 1940.

⁴ Article by Felix Beyer, *Iron Age*, Nov. 23, 1939.

lable. Intensified exploitation is covered up by spurious deference. Said Hitler early in 1939, "One energetic man is worth more than a thousand intellectual babblers who are useless waste products of the nation." And on Labor Day, May 1, 1939, "A young man who works with a spade for six months on the Western fortifications has done more for Germany than an intellectual has done during his whole life."¹ Accordingly such a young man receives a medal inscribed "For work for the protection of Germany."² Wage policies tell a different story. According to the *Deutsche Volkswirt*, rationalization in the building industry had progressed sufficiently to allow for an over-all wage policy.

For the first time an attempt is being made to regulate, in a compulsory manner, piece rates in the entire Reich for a key industry, according to uniform, objective, and exact standards, and in this way to achieve a maximum level of performance throughout. . . . A worker who completes his work according to standard will receive the normal wage, a worker who exceeds the standard will receive proportionately more, a worker who falls short of the standard will receive proportionately less. Under these circumstances there is no longer room for a guaranteed minimum wage.³

Comparable policies are applied to other branches of industry. They culminated in the total overhauling of industry under a streamlined machine of efficiency engineers established in October, 1943.

Under the newly created office of *Reichs-Arbeitseinsatz-Ingenieur*, held by Gotthart Friedrich, 34 district offices manned by efficiency engineers were placed in control of 5,000 engineer-managers in charge of firms employing 300 employees and over. The engineer-manager is nominated by his employer and appointed by the chairman of the Armament Board (*Rüstungskommission*). He has to see to it that no skilled worker performs tasks that can be handled by a semiskilled hand, that the newcomers (women!) are properly broken

¹ Hitler speeches, Jan. 1 and May 1, 1939. Quoted in Tell, *op. cit.*, pp. 47-48.

² *The New York Times*, Aug. 3, 1939.

³ Leistungslohn und Leistungsrisiko, *Der Deutsche Volkswirt*, Berlin, vol. 16, No. 46, Aug. 14, 1942, p. 1478. Quoted in *In Re: Germany*, December, 1942, p. 145.

in, that work discipline and tempo are improved, that there is no slackening during night shifts, and that proper use is made of other firms' experiences. It is his duty to eliminate surviving plant traditions resulting from the fact that key positions are often held by owners' relatives. Thus the last vestiges of paternalist *Gemütlichkeit* and communal ties between senior workers and employer are to be liquidated as irrational factors blocking an increase of per capita output and the saving of labor. From the technological viewpoint German industry is to become one single enterprise under centrally imposed discipline and command.¹

LABOR YOUTH

It is doubtful whether such policies can overcome the fatigue, disillusionment, and hopelessness of labor under Nazism. Dr. Ley's declamations fail to convince even labor youth. In 1938 in the mining district of the Siegerland in Westphalia "hardly a single boy upon leaving school wished to become a miner. In Gelsenkirchen, a district in which 40 per cent of the gainfully employed are miners, only 6 per cent of the boys upon leaving school wished to become miners."² It is not without significance that absenteeism is highest among youth and that it is charged to the "worker's inner attitude" rather than to illness.³ There is by now a generation growing up that has known suffering and sacrifice only under Hitler, not under the Republic and the great depression.

The greater part of those young workers who grew into their teens under Hitler went through the Hitler Youth. A fine of 150 marks (\$50) is imposed upon the legal guardian of a minor who fails to register a boy with the Hitler Youth. A fine of 10,000 marks (\$3,333) is imposed upon anyone who detains or attempts

¹ HIRCHE, DR. KURT: Der Arbeitseinsatz-Ingenieur kommt, *Ostsee Zeitung Stettiner Generalanzeiger*, Oct. 19, 1943.

² *Frankfurter Zeitung*, Oct. 30, 1938.

³ The number of persons ill is "greatest among the physically strong, young age groups. There are 199.3 cases of illness per 100 men in their twenties and 223.1 per 100 women in the same age group compared with only 128.1 cases among men between 50 and 70. . . . There is no doubt that the incidence of illness and absence from work is above all influenced by the worker's inner attitude; in other words, that it is largely a question of the individual's sense of responsibility." *Völkischer Beobachter*, quoted in *The New York Times*, Jan. 6, 1944.

to detain the youth from fulfilling his obligatory service with the Hitler Youth. Police are authorized to hustle the boy to the home of his youth group for compulsory mental and physical exercises and for the new forms of compulsory child labor such as collecting garbage, metal, paper, hair, money; clearing debris, attics; serving in air defense, communication work, party propaganda, and public entertainment.

The young factory worker subjected to rigid demands of workshop discipline during his workday may not be the most enthusiastic listener when middle-class high-school boys present Rosenberg's mythology before a regimented audience. Nor is the working-class lad the best material for the ambitious young party careerist to work on. A study of the Würzburg Hitler Youth has brought out clearly that the most successful Hitler Youth leaders are sado-masochist young men of middle-class families who for the sake of their careerist ambition impose harsh military discipline upon their underlings. The leaders preferred by party officials are physically robust, psychologically undifferentiated, intellectually unburdened brutes. These are the leaders who demand disproportionate punishment of a boy who filches a fountain pen, an apple, or personal belonging from another boy. The punishment may consist of a group beating, of making the culprit stand on a chair marked "I am a swine," of blackening him with shoe polish, of expelling him from the group or youth camp, and putting him under a social ban outside. Ludwig Hemm found that at Würzburg 17 out of 100 youth leaders belonged to this party-bred type, characterized by craving for prestige, personal indifference toward their subordinates, a studied emphasis on social distance, cool aloofness, and shrewd strategy of promotion along the bureaucratic career lines. Four out of a hundred youth leaders belonged to the fanatical type of Nazi doctrinaires. These little Goebbels have in common with the petty militarist disciplinarian an unfriendly cool aloofness from the boys. They prefer to lord it over them in an audience situation rather than in war games and marches. They lack the ostentatious conceit of the hard-boiled whippersnapper but take to the role of the perfectionist "apostle" rendering selfless service to Hitler's cause. As 60 per cent of the youth leaders have a high-school education and only 8 per cent of the school population attend secondary schools, we may infer that the adolescent labor youth has anything but a good time under the mentality of the militarist middle-class disciplinarian.

Most boys crave for emotional intimacy of small gangs; they are rebellious against intellectual impositions; they are casual and cannot be inspired by phrases about the Nordic or any other superman as long as blonds do not get higher wages.¹

Politically, since 1938, the Hitler Youth has completely controlled opportunities for the educational and occupational advancement of youth. A Hitler Youth recommendation is a prerequisite for educational privileges, scholarships, etc. Characteristic is the statement of the *Reichs Jugend Pressedienst*, "In judging the fitness of an apprentice for a bank the recommendation of the Hitler Youth is of decisive importance. Occupational skill can only develop on the basis of the National Socialist *Weltanschauung*."²

The Nazi leaders like to proclaim equal opportunity for everybody and like to give their party a certain proletarian coloration. Nothing, however, has been published to indicate expanding opportunities for the young worker. Since Mar. 1, 1938, all youth have to register with the labor board when leaving school and no employer may hire an apprentice without the board's permission. Occupational skills have been systematically classified according to corporation-defined standards. The Labor Front added a hierarchy of labels and spurious status gradations derived from the Reich's occupational contests. Millions of apprentices, salaried employees, and wage workers are mobilized every year for 3 months to compete for honors in carefully classified occupational tasks. There are local victors, district victors, and Reich victors. The latter are personally presented to Hitler on May first. The *Frankfurter Zeitung* correctly pointed out that "occupational designations which sound

¹ HEMM, LUDWIG: Die unteren Führer in der HJ Versuch ihrer psychologischen Tiefengliederung, *Zeitschrift für angewandte Psychologie und Charakterkunde*, Beiheft 87, 1940. Front der Jugend im Kriege, Stabsfuehrer Lauterbacher ueber den Einsatz der HJ im Jahre 1940, *Hamburger Fremdenblatt*, Jan. 1, 1940. Jugenddienstpflicht fuer den Jahrgang '23, *ibid.*, May 23, 1940. DIETZE, HANS HELMUT: Die verfassungsrechtliche Stellung der Hitlerjugend, *Zeitschrift für die gesammte Staatswissenschaft*, vol. 101, No. 1, 1940, pp. 113-156. VAGTS, ALFRED: Hitler's Second Army, *Infantry Journal*, Washington, 1943, Chap. XII, pp. 190-229, gives the most comprehensive data on organizational, functional, and statistical aspects of the Hitler Youth.

² *Reichsjugend Pressedienst*, Mar. 31, 1938, quoted in "Deutschland Bericht der Sozialdemokratischen Partei Deutschlands," 5th Jahrgang, Nos. 4/5, 1938. A decree of December, 1935, determined that no youth may enter public service unless he has been a member of the Hitler Youth. Gurian, *op. cit.*, p. 153.

important and specialized were set up deliberately even for trifling and insignificant work demanding no skill whatever."¹ Thus the systematic classification of examination-tested skills of bureaucracies and professions has been extended in industry down to unskilled labor. It is a studied device for ascribing spurious prestige differentials without a functional substance or increase in wages. Hitler, in matters constitutional, may retain the labels and change the substance. Dr. Ley, in matters industrial, may change the labels and retain the substance.

The touchstone for opportunities to advance in Germany is educational policy. The 25 state universities are the main ladders of ascent for the middle classes. They have been practically closed to low-income groups. Under Nazism the student body has been cut by two-thirds, from 130,000 to 40,000 students. And, according to the last figures, published in 1936, the social composition of the students has not changed. After the ephemeral distribution of some educational spoils to brown shirts, things returned to "normal."² There were shortages in such war-essential skill groups as doctors, engineers, and teachers before the war. The Nazi party reversed its line in the winter of 1936-1937. Professions were ballyhooed; Hitler Youth guards were placed in front of monuments honoring medical men like Robert Koch; his tragic life was presented on the screen. Engineers were celebrated in historical essays in the daily press, and youth was held to pay deference to their teachers. Nothing, however, indicates a democratic selection of the student body.

The Nazi party may have picked some working-class boys for the 21 cadet institutions of the party, the *Nationalpolitische Erziehung-*

¹ NEUMEISTER, HEDDY: Die Ordnung der Berufe, *Frankfurter Zeitung*, May 18, 1941.

² Edward Y. Hartshorne, Jr., in his study of German universities under Nazism noticed a slight change in the social composition of the German student body toward a more democratic recruitment. He compared figures for the summer semesters of 1933 and 1934 and reported official statements about "the triumph for National Socialist university policies to make university attendance possible for every gifted German son regardless of background or means." The figures for the very next semester indicate the spurious nature of such assertions. Since then publication of such figures has ceased. Cf. HARTSHORNE, E. Y.: *The German Universities and National Socialism*, p. 86, Cambridge, Harvard University, 1937.

The following table, compiled from the publications of the Ministry for Education, makes it clear that by 1934-1935 the predepression conditions had

sangstalten, which are supervised by the Elite guard and lead up to the "castles of the order," the finishing schools of the new elite of blood and iron. If so, the number of such cases is hardly large.

returned as far as the social recruitment of the student body was concerned.

SOCIAL COMPOSITION OF GERMAN STUDENTS*

Social position of fathers	Summer semester			Winter semester 1934-1935 per cent
	1928 per cent	1933 per cent	1934 per cent	
A. Occupations:				
1. Higher officials, officers in the army .. .	15.5	14.4	8.6	16.9
2. Middle ranks of officials .. .	27.8	26.8	27.0	26.5
3. Lower ranks of officials .. .	1.7	2.9	4.9	2.5
4. Professions with academic training .. .	6.3	6.2	4.0	6.5
5. Professions without academic education .. .	1.7	1.7	1.2	2.1
6. Large estate holders .. .	1.5	1.0	.6	.6
7. Middle and small peasants .. .	4.4	6.4	12.3	6.0
8. Commerce and industry .. .	24.5	20.5	18.9	19.4
Out of them:				
a. Owners and directors of factories .. .	5.7	3.6	2.2	3.5
b. Independent handicraft masters and <i>Kleingewerbetreibende</i> .. .	5.6	13.1	13.5	11.7
c. Others in commerce and industry .. .	5.6	3.7	3.2	4.2
9. Employees in leading positions, commerce and industry, (<i>Privatangestellte</i>) .. .	5.2	5.7	3.9	6.7
10. Other employees .. .	7.1	7.3	8.7	8.6
11. Workers .. .	2.0	4.8	8.5	3.0
12. Other occupations, etc .. .	2.3	0.7	0.6	0.5
Total .. .	100.0	98.3	99.2	99.3
B. Social classes:[†]				
Upper classes .. .	34.2	30.9	19.2	34.2
Middle classes .. .	59.8	60.7	66.8	59.8
Lower classes .. .	3.7	7.7	13.4	5.5
Total .. .	97.7	99.3	99.4	99.5

* Compiled from *Deutsche Hochschulstatistik* and *Die deutschen Hochschulen, eine Uebersicht ueber ihren Besuch*, Berlin, 1936.

† The preceding data have been summarized and arranged as follows: the upper classes comprise A: 1 + 4 + 6 + 8a + 9; the middle classes comprise A: 2 + 5 + 8 - 8a + 10; the lower classes comprise A: 3 + 11. Significant is that one half of the middle class students stem from minor officialdom.

More important is the establishment of *Jugendwohnheime*.¹ This term, carrying association of "Youth movement" and "home," applies to barracks where apprentices are garrisoned, removed from their families. In May, 1941, there were 265 such youth barracks, accommodating 15,000 to 18,000 youths. Most of them are attached to factories, some are dispersed throughout the Reich without being tied to a factory. Some are in the *Warthegau* (Poland) and some are located in the Protectorate. Hitler Youth leaders are in control of these barracks. A medical doctor assists the leader. As usual military sports, drill, rifle shooting, and indoctrination supplement the workday. The youth's life is under constant control of the Nazi militarist from morning till evening in the factory, after work, and during week ends in the barracks. The firms provide for the youth's maintenance, but parents able to contribute are obligated to do so. The inmates of the barracks receive some pocket money from which they are expected to buy savings stamps of 50 pfennigs monthly for education in thrift. The apprentice is held to 9 hours of sleep daily and he is encouraged to "fight alcohol and tobacco." Three years of such apprenticeship are followed by labor service and then army service.

Thus the Spartan model, "the miraculous achievement of a fraternity of nobles," to quote Achim von Arnim, is being followed: early removal from family and small household to men's quarters under total military discipline and constant supervision.

This garrisoned youth labor represents the shock brigade of the party in the factories and in the new working-class cities. They may be ready material for the air force, and they may possibly be turned into Nazi guerrillas. However, even if the intended number of 30,000 youths should all be so quartered and organized, we must keep in mind that the total number of apprentices amounts to several hundred thousand a year.

GESTAPO TERROR AGAINST ANTI-NAZIS

To the material deprivations that labor has to suffer must be added the systematic denial of justice which weighs more heavily on working-class youth than on any other large group. It is known that the ascendancy of the Elite Guard or Gestapo over any other

¹ Lehrbuch, *Frankfurter Zeitung*, May 25, 1941. *Jugendwohnheime* für den Berufsnachwuchs, *ibid*. The first barracks of this kind were founded by the Hitler Youth in 1934. *Nachwuchslose Berufe*, *Berliner Tageblatt*, Nov. 29, 1936.

state agency has made the law courts a mere branch of the police. The case of pastor Niemöller revealed that it does not matter whether a judge pronounces a verdict of innocent. If the Gestapo so decides, they carry the innocent victim off to the concentration camp.

The Gestapo, the supreme political agency of the terror regime, the apex of the prestige pyramid, outdoes the army. Its leaders prefer fear to respect, overawed silence to boisterous *Heils*. Generals have been purged and publicly derided by Göring, when he still held control of the air over Germany. But no such treatment has ever befallen the Gestapo. Even the Berlin wit's tongue stops wagging at the thought of it. The Gestapo's career has been one of unbroken ascendancy. From the SS (*Schutzstaffel*, organized Nov. 9, 1925) as the Führer's bodyguard under Julius Schreck, Joseph Berchtold, Erhard Heiden, and since January, 1929, Heinrich Himmler, it has steadily made headway in assuming total control. Since February, 1936, "the orders and business of the Secret State Police are not subject to review in the administrative courts." Himmler, who in 1944 became the Roman Prefect controlling the administration directly, had purged cabinets long before entering the cabinet himself.¹

Since the war, the law courts have openly assimilated the Gestapo principles. A series of special decrees bring the arbitrariness of the Nazi "law" to a climax, namely, the tendency to define "criminal types" rather than types of crimes. Thus there is the *Volksschädling* (the saboteur of the people), the radio criminal who listens in to foreign stations, etc. The identical act may draw any punishment from one day in prison to capital punishment according to the type of criminal the defendant happens to be in the eyes of the judge. The judge has at his disposal a long list of mitigating and aggravating circumstances which he may use at his discretion and the "failure to act" is weighted like a positive crime in terms of the possibly detrimental results to the National Socialist community. The results show that whereas, in 1936, 58 persons were executed upon a sentence of capital punishment, in 1939, capital punishment was meted out to 136 persons.² These figures do not include the

¹ Cf. GILES, O. C.: *The Gestapo*, Oxford Pamphlets on World Affairs, No. 33, 1940.

² "Statistisches Jahrbuch für das Deutsche Reich," 1938, pp. 58ff. Reg.-Rat Alfred Klütz, Leiter der Justiz Pressestelle Berlin: *Kriminalität in sieben Jahren Statistische Vergleiche, Das Reich*, June 8, 1941.

administrative liquidation of persons in concentration camps and elsewhere. During the war the value of individual lives tends, of course, to decrease further.

The nature of justice during the war is illuminated by the fact that, since 1940, the lay element has been eliminated from the courts.¹ The academically trained judge rules supreme and even the lowest court (*Amtsgericht*) has received power over life and death. A chamber of three judges handles a murder or perjury case unless the public prosecutor (usually a member of the Elite Guard) decides that "the immediate punishment through a special court [*Sondergericht*] is advisable in view of the severity of the deed, the excitement of the public [read party], or because of the serious danger to law and order." Special tribunals tend to displace routine procedures. Their jurisdiction is practically unlimited. Even thieves, embezzlers, impostors, and "fences" appear before the special tribunal if their crimes have involved an offense against the statutes regulating the war economy, civilian consumption or prices, or against the decree aimed at saboteurs of the war effort (*Volksschädlingsverordnung*). There is no appeal from the verdict of a special tribunal and its verdicts are severe indeed.

In March, 1941, dismissal from protective custody, *i.e.*, concentration camp, was suspended for the duration of the war.² There are no longer preliminary court hearings (*gerichtliches Vorverfahren*); the trial is prepared exclusively by the public prosecutor and the police. The defendant has a right to legal counsel only in a few specified cases: in cases where protective custody, transfer to reform institutions and asylums, or castration is under consideration, or if the accused is deaf or mute. In all other cases "a defense of the accused is no longer necessary."

The atmosphere of the law courts correspondingly has become similar to that of Gestapo headquarters. "Undisturbed, in a silence which in the spacious halls of Moabit has an almost oppressing effect the trials roll off. In the press room, formerly overcrowded by reporters, a single reporter waits to telephone the last verdict of the special tribunal to all Berlin newspapers. In the early afternoon the notices of trials have already disappeared from all doors." This cadi-justice of terrorists is built up as "a rationalization of juridical procedure, a simplified way barring all superfluous ballast, saving time and men (judges), and therefore allowing for the con-

¹ A decree of Feb. 21, 1940, eliminated the *Schöffengericht*.

² *Deutsche Allgemeine Zeitung*, Mar. 25, 1941.

clusion of a case in four hours which formerly might have required four days."¹

Anyone acquainted with the technicalities of German law codes and juridical German, and the extraordinary gulf between academically trained jurists and the way of life and patterns of thought of metropolitan wage workers, will appreciate the complete helplessness of a working-class man before the bar. The judge has become an auxiliary policeman of the Gestapo, using his robe as a cloak for juridical murder.

Such summary "justice" was not introduced by the Nazis because Germany is what Dr. Goebbels and Emil Ludwig would have us believe, a harmonious community of Nazis, but because it represents what Himmler calls "theater of war: inner Germany." Resistance inside Germany has never ceased and there is no lack of "political crimes." Many who honored the unarmed and disunited German laboring masses by expecting from them more than from treaty-bound French, Czechoslovak, and Polish armies combined compensate readily for their disappointments by learning to hate not the Nazis but "the Germans." For them the differences between a Thomas Mann and a Himmler, between the Prussians, Alexander and Wilhelm von Humboldt, Herder and Kant, and the Austrian-born author of *Mein Kampf* do not matter. But it may matter for the future that as late as November, 1932, 54.3 per cent of the electorate of greater Berlin voted for the two labor parties. Prussian labor was the last hope of German Democracy. There was little basis for Democracy in Catholic Bavaria, the *Traditions-gau* of the Nazi party, and Munich, the "Capital of the Movement." There is a stereotyped imagery abroad, drawn from nineteenth century Germany, which sentimentalizes "Democratic southern Germany" or "good Catholic Rhinelanders" as against "satanic Prussia." The decline of the German Republic with its strongholds in Berlin, Hamburg, and Saxony, tells a different story. And even when Hitler was in the saddle, hapless Jewry for years felt better in Berlin than anywhere in southern Germany or in the Rhineland. Social history does not lend itself to such simplified schemes as Goebbels's "from Frederick the Great to Hitler." The refusal to take anti-Nazism inside Germany into account and the

¹ Moabit 1940 Gericht im Kriege, *Das Reich*, Sept. 29, 1940. See also A. Graf zu Dohna, Die Macht des Richters, *Das Reich*, Feb. 16, 1941. KIRCHHEIMER, OTTO: *The Legal Order of National Socialism*, Studies in Philosophy and Social Science, New York, vol. 9, No. 3, 1941, pp. 456-475.

identification of German labor with what is likely to become nothing more than a ghastly episode in German history strengthen Dr. Goebbels's propaganda and prevent us from winning the confidence of those Germans who wish for Hitler's fall. Such a policy may have boomerang effects in the future because public opinion is fickle and trained hatreds of war are easily followed by guilt feelings implementing wishful thinking and sentimentalism. How Hitler could capitalize on the guilt feelings of the Allies who demanded the execution of the Kaiser is an old story. The Nazis do not represent the German people but a dictatorship over most of the people as we are forcibly reminded by the hapless inmates of concentration camps longing for liberation.

Those in the concentration camps are the negative privileged, the counterprestige groups. A conservative estimate assumes

. . . an average number of 600 inmates in a camp, six months of imprisonment for the average case, and seventy one camps, which means a twenty fold turnover of prisoners since 1933. Accordingly, at least 852,000 Germans have gone through these camps. The death rate is estimated at about 11 per cent, resulting in a figure of 93,720 Germans who have died in concentration camps, beaten or tortured to death, or dead of malnutrition, exhaustion, or suicide.¹

In 1936 the camps² were turned over to the Death's Head Brigades of the Elite Guard. In the early thirties the concentration camp population was grouped by (1) professional criminals, (2) men charged with immorality (paragraph 175 of the criminal code), (3) political prisoners, and (4) race defilers, i.e., Jews having had or suspected of having had sex relations with "Aryans" or vice versa. In 1935 the second group loomed large because of an attack upon Catholic lay organizations, when immorality was charged against many of their members.³

Political criminals comprise functionaries of labor organizations, of trade-unions, political parties, Republican officials of all administrative bodies, and underground workers. In 1934 "critics and grumbler" were added from among disillusioned middle-class elements, clerks, students, businessmen. Then there were the

¹ SEGER, GERHART H.: Hitler's Enemies in Germany, *New York Herald-Tribune*, Apr. 26, 1942.

² Among the better known camps are Dachau, Oranienburg, Torgau, Papenburg, Buchenwald, Lichtenburg, Möhringen, Barnicke, Burg Hohenstein, Sachsenburg, Fuhlsbüttel near Hamburg (for women).

³ *New Statesman and Nation*, Oct. 26, 1935, pp. 592-593.

religious prisoners, pastor Niemöller and many of his followers, some fundamentalist sectarians, Jehovah's Witnesses, and pacifists. Last but not least, there were men whose simple moral decency and uprightness brought them into trouble.

According to Prof. Shotwell, the gradation of prisoners at the outbreak of the war was as follows: (1) political prisoners, (2) vagrants, *i.e.*, persons who refused to work at bureaucratically assigned tasks, (3) common criminals, (4) political suspects, (5) race defilers, and (6) religious criminals. Jews are estimated to make up about 15 per cent of the total. Political prisoners and vagrants may well form the largest groups. The groups are quartered separately and are treated differentially according to the status ascribed to them by the Elite Guard. Shotwell estimates that there are about 1.5 million prisoners.¹ These prisoners mostly have families and relatives, friends, and sympathizers on the outside.

Now add to the list of prisoners, workers who have resorted to soldiering on the job, the sleeping strike, deliberate sabotage, and absenteeism. Dr. Ley stated in 1943 that "many persons of both sexes have already been sentenced to long terms of imprisonment on account of general unwillingness to work."²

"Symbolic disengagement moves" can be ascertained in the formulations of death notices in the press and in the evasion of *Heil Hitler*. There have been reports that party members do not care to display their membership badges.³

¹ SHOTWELL, JAMES T.: *Governments of Europe*, 1940, p. 19. Cf. *Nineteenth Century and After*, vol. 114, p. 550, for the official statement of the Prussian government that 12,000 persons have been taken into protective custody. The figure for Prussia and Saxony was stated by Dr. Fritsch to be 36,000 persons. An official spokesman in 1937 gave the figure of 50,000 persons. Cf. KIRKPATRICK, C.: *Nazi Germany: Its Women and Family Life*, p. 19, New York, 1938. For estimates of inmates in individual camps, cf. *Living Age*, March, 1936, pp. 30-32. There the inmates of Sachsenburg camp, an old spinning mill in the Zschoppau valley, are estimated for 1935 as follows: 627 religious prisoners, 400 political prisoners, 300 criminals, 100 Jews. The Sachsenhausen inmates were estimated for 1938 to number about 14,000 persons, 6,800 of whom were stated to be Jews. Cf. *Nineteenth Century and After*, vol. 125, pp. 665-672, and vol. 126, pp. 56-63. Shotwell for 1940 estimates the Sachsenhausen inmates to number 22,000 persons, *ibid.*, p. 491. The Buchenwald camp in 1937 was estimated to contain 12,000 prisoners.

² *The New York Times*, Mar. 7, 1943.

³ According to a Düsseldorf paper "many persons drew negative conclusions" from the Nazi defeats. "They do not say *Heil Hitler* but like old philistines *Guten Morgen*, *Guten Tag*, etc., . . . imagining that thus they are demonstrating their neutral attitude." *The New York Times*, Feb. 21, 1944.

Goebbels's policy of dulling thought through emotionalism can hardly be successful for long. We think of the public mourning for the defeat of the army at Stalingrad, when church bells and all symbols and means of communication were steered toward instigating universal weeping. He who weeps cannot think. Finally Goebbels hopes for "strength through fear."

The resistance of intellectuals who write between the lines, exploiting the classics for "telling" quotations, communicating tabooed topics by indirection, innuendo, and double talk may be noticed by any reader experienced in the subtleties of the mental process under totalitarianism. Rarely is the scene lighted by such outbursts as occurred in Munich university.¹ There the Gestapo decided to "swoop down on the university in the midst of a lecture" in order to magnify the terror. They might have rounded up the anti-Nazi students quietly, as is the rule. Five were put to death, 12 received long prison terms. The organization was found to have extended to Ulm, Freiburg, and Stuttgart. More important perhaps, a Stalingrad survivor was among the leaders. He was hanged. No "Jewish influence" was mentioned. Resistance among Berlin, Hamburg, and Vienna workers need not be doubted. The Gestapo will not dramatize operations among the laboring masses. Factory workers are fought in "silent warfare." Their bravest, when caught, disappear quietly lest the dramatic shock miscarry and the "criminal" appear as a hero and a blood witness.

BADGES AND RIBBONS AS ERSATZ GRATIFICATIONS

We may sum up by stating that National Socialism in the economic order has widened class differentials and class tensions under the impact of "military necessity" and imperialist aspirations. Aryanization, conquest, forced mergers, and rationalization measures due to the never-ending labor shortages have led to a swift concentration of large property aggregations. Jewish property has followed trade-union property and labor party property.

Propertied middle classes have been severely reduced. Shopkeepers and artisans have been "combed out" and on the average every tenth formerly "independent" enterpriser has entered the ranks of wage labor. The same route was followed by a considerable number of small *rentiers*. The status differentials between

¹ *The New York Times*, Apr. 18 and Apr. 23, 1943. George Axelsson reported the big railroad bridge at Frankfort to be blown up by saboteurs, *The New York Times*, Apr. 5, 1943.

salaried employees and wage workers based upon conventional differences in consumers' preferences, segregation devices in large enterprises, separate contractual policies in employment, and compulsory insurances have largely been eliminated. Status claims have crumbled under the demands for technical efficiency. Large numbers of young salesladies, office workers, and self-employed in so-called "one-man shops" like beauty parlors and barber shops have been drafted for munition plants. When necessary, they have been replaced by conscripted housewives whose labor passport reveals that they have the required skills. The destruction of large cities deprives broad sections of the middle classes of sentimentalized inherited furniture and other personal properties on which to base status claims. The number of those who have nothing to lose but their lives is vastly and rapidly increasing.

The greatly increased masses of gainfully employed have been subjected to intensive economic exploitation and severe deprivations. Systematic state slavery is enforced by the single-party state using all instruments of manipulation, propaganda, and administration for the imposition of terrorist discipline. The ascendancy of Himmler's Elite Guards is indicative of the rising tension level.

The Nazi organizations aim at buttressing loyalties and offering incentives through substitute gratifications. Masses of medals, emblems, honorific titles, and badges are systematically showered upon the nation. By a decree of Apr. 7, 1933, the articles of the Weimar constitution that stood in the way of creating such symbols were eliminated. The Reich took over the right of the former single states to create and bestow medals. Hindenburg still attached his signature to the Cross of Honor for Front-Soldiers of the First World War. It was followed by the party badge in gold for old fighters and the "Order of Blood." On May 1, 1935, the golden party badge was worn by 22,282 members or 0.9 per cent of the Nazi party. Men wore 20,487, or 92 per cent, of the badges, and 1,795 or 8 per cent were worn by women members. The decorated male members made up 0.9 per cent of the male party membership, the women 1.3 per cent of the female members.¹ The Golden Party Badge is subdivided into two classes: the large badge and the small badge. Furthermore old fighters may wear the badge inscribed "with Hitler in Coburg 1922-1932" in memory of the first conquest

¹ The list of party districts having had the greatest number of decorated party members in 1935 was headed by the following *Gau*:

of a city by an invasion of brown-shirted storm troopers trained for terrorizing the public.¹ There are the badges commemorating the Party Congress at Nuremberg 1929, and the meeting of storm troopers at Brunswick in 1931. Finally a special "defense badge" of the storm troopers honors the terrorist of the last election campaign under the Republic in November, 1932. Altogether the leader has created or recognized 10 party medals designed to give public recognition for merits in the past.

In 1936, for the first time, contemporaneous merit was singled out by the creation of the German order of the Olympic games in three classes. We have mentioned above the German Eagle for highly placed foreigners, businessmen, politicians, and "stars" like Lindbergh.

By September, 1939, gradually 23 orders and honorific badges of the Nazi state had been brought into circulation. They are usually subclassified and thus are worn in 50 different ways. The list includes merit badges for the *Wehrmacht*, civil servants, policemen, labor service men, Elite Guards, firemen, and rescue squads in mines.

The various sport badges classified by age, sex, type of sport, sponsoring organization, etc., would fill a long list.

<i>Gau</i>	Number of decorated members	Percentage of decorated party members	Membership in 1935
Saxony.....	2,574	11.5	234,681
Bavarian East Mark.....	1,879	8.4	75,165
Greater Berlin.....	1,653	7.4	138,117
Munich Upper Bavaria.....	1,641	7.4	58,677
Franconia.....	1,244	5.6	38,021
Schleswig-Holstein.....	1,200(?)	5.4	92,330

The following *Gaue* had between 500 and 1,000 decorated Old Fighters: South Hannover, Brunswick, Thuringia, Badenia, Hesse-Nassau, Palatinate, South Westphalia, Kurmark, in this order. The rest of the *Gaue* had less than 500 decorated members: East Prussia, Danzig and Koblenz, Trier ranking lowest. When listing the *Gaue* according to the ratio of decorated Old Fighters to members of the *Gau* organization the following *Gaue* head the list: Franconia 3.3 per cent; Munich Upper Bavaria 2.8 per cent; Bavarian East Mark 2.5 per cent; Palatinate 2.0 per cent; Schleswig-Holstein 1.3 per cent. Data from *Der Schulungsbrief*, 1938, Nos. 8 and 9.

¹ LÜDECKE, KURT G. W.: *I Knew Hitler: The Story of a Nazi Who Escaped the Blood Purge*, New York, 1938.

Hitler's course of conquest was accomplished by an ever-broadening stream of honorific ribbons. The previous general merit badge of the army was supplemented by medals in memory of the annexation of Austria, Sudetenland and Memel territory. They were given out for excellent military services. Meanwhile new army medals centering around the Iron Cross in its various classes have been created. There are medals awarded for unusual military achievements, for repeated participation in hazardous enterprises, or membership in an especially exposed fighting unit. Examples are the badge of the shock troop (*Infanterie Sturmzeichen*), the badges of fighter crews of the *Luftwaffe*, badges for special task forces of the navy, the Narvik-Shield, and the equivalent to our "purple heart" in the usual graduation: iron or bronze, silver, gold.

More than a dozen such ribbons decorate Nazi soldiers, irrespective of rank. The Nazis deliberately use this equalitarian policy in order to compensate for the rigors of the extended military hierarchies, rising to seemingly endless peaks in the eyes of the private. Carefully rationed is the award of the Knight's Cross with oak leaves which by the end of the conquest of France had been given to about 400 men. The home front has also gradually been decorated by a parallel though somewhat lesser shower of medals down to the ten-year-old Hitler Youth.

There is however a limit to Goebbels's magic of democracy. One order is reserved to the highest commanders, the Great Cross of the Iron Cross (*Grosskreuz des eisernen Kreuzes*). It is awarded "for war-decisive action." By January, 1941, it was worn but by one man: Hermann Göring.¹

REFLECTIONS ON THE FUTURE

The severe conditions of exploitation, Gestapo repression, and universal harsh military discipline at the German home front tend to minimize the artificially imposed status differentials. Mere badges are not enough and, if there is nothing to lose but a badge, the honorific symbol may well add insult to injury. This may well hold for the artificial barriers set up between German and foreign workers. The number of foreign workers has been estimated at 6 million; Nazi figures run as high as 12 million. It is doubtful whether the segregation measures and fines for German workers who speak to foreign workers (without technical need) can prevent

¹ *Ordensschnallen, Das Reich*, Jan. 19, 1941. Hitler Creates New Medal for Special Merit in War, *The New York Times*, Oct. 25, 1939.

fraternization during saturation air raids and a collapse of Nazi controls.¹ It is doubtful whether the uniform of the German building worker at the same job at fortification works makes him feel superior to a foreign worker when bombs equalize their chances of survival. There existed a strong tradition of internationalism among German labor which, contrary to Max Weber's frequently quoted statement,² has not been shattered through the Versailles treaty and events like the Ruhr occupation. The National Socialist Labor party is not and never has been a true labor party.³ The German worker did not go to war with raucous hurrahs; he was led into battle "in silence and in sadness."⁴

The Nazis, aware of this state of affairs, came out with preventive propaganda by proclaiming European Socialism in order to

¹ Any contact with war prisoners is strictly forbidden. A woman having entertained sexual relations with a Polish war prisoner was sentenced to 5 years' hard labor. *Hamburger Fremdenblatt*, Jan. 26, 1940. By summer 1940, hardly a year after the Polish campaign, the Elite Guard found that German citizens were not sufficiently race conscious. "Citizens of the Quedlinburg district, in the view of the district Nazi boss, have become too friendly with the prisoners. According to the *Schwarze Korps*, organ of the Elite Guards, they are beginning to treat the Poles as equals, even shaking hands with them." The Elite Guards, having their special shrine at Quedlinburg, namely, the tomb of Kaiser Heinrich I, devoted some attention to the matter. They promoted the reading of Edwin Erich Dwinger's book, *Death in Poland*, and the *Schwarze Korps* felt that "anyone who has read the book will never again feel the desire to shake hands with any Pole. . . . He will take the right attitude toward all Poles, which is that Poles will always be our enemies." *The New York Times*, July 14, 1940.

² E. H. Carr, the political editor of the *London Times*, stands for a peace with German upper classes minus *Junkers* in order to win them as junior partners for the British Commonwealth. He writes, "In January, 1919, Max Weber predicted that a penal peace would 'turn the most politically radical German worker—not now but in a year and a day, when the present tumult and the succeeding weariness are past—into a chauvinist.' This prophecy was fulfilled." It was not, as election figures for the labor parties 1919 to 1932 prove. CARR, E. H.: *Conditions of Peace*, p. 226, 1942.

³ Gerth, *op. cit.*

⁴ KRIS, ERNST: Some Problems of War Propaganda, *The Psychoanalytic Quarterly*, vol. 12, No. 3, July, 1943, pp. 381-399. Propaganda analysts like Drs. P. F. Lazarsfeld and Robert King Merton concur in this observation often made by foreign correspondents in Berlin at the outbreak of the war and even at such climactic situations as the occupation of Paris. The Nazis cannot afford to allow Germans to listen in to foreign broadcasts, whether the war goes their way or against them. Cf. LAZARSFELD, PAUL F., and ROBERT K. MERTON: Studies in Radio and Film Propaganda, *Transactions of the New York Academy of Sciences*, Series II, vol. 6, No. 2, December, 1943, pp. 58-79.

screen the chauvinist imperialism that reduces conquered nations to colonial and semicolonial conditions. The Elite Guard enrolls mercenaries from Spain to Norway, without, to be sure, numerical importance. More significant is the economic integration of Europe into one aggregate, centrally directed to nefarious ends: the elimination of custom barriers, the organization of a single European market, the planned interdependence of new, relocated, and expanded industries, geared for war. It is this "legacy of Nazism" which shrinks under air bombardments and which will crumble further during the invasion. The unavoidable disruption of industries will make for mass unemployment.

We may safely envision a great anti-Nazi revolutionary potential inside and outside Germany. It can be released only in the wake of a military collapse and the crumbling of the terror machine of Nazism. The dramatic events since 1933 have undermined the belief in the sanctity of individual life and private property. Metropolitan laboring masses have received a lesson in the role of violence during large social transformations which late Victorian trade-union leaders of 1918 lacked. During the mass migration of millions of metropolitan war workers and displaced populations, quite a number of Europeans may have learned to think in continental dimensions. European anti-Nazis have to compete with Hitlerian propaganda stated in continental rather than in nationalist terms. The lack of autonomous labor organizations, political and economic, and the probably swift disintegration of demoralized Nazi organizations during the collapse will make a transition from collapse to revolution a possible though arduous process.¹ As the change will have to be worked out under military occupation, it is even more hazardous to make predictions. The horns of the dilemma may be stated as follows: commanders of invasion forces thinking in terms of military expediency will seek to crush Hitlerism without having the occupied countries drift toward social revolutions. Socialist labor will seek to achieve revolution in spite of military occupation.

Will the collapse in north Alpine Europe lead to an encouraged palace revolution, and can a Nazi Badoglio supported by occupation forces cushion the breakdown of the Nazified administration?

¹ For a good discussion see *The Next Germany* by a group of Anti-Nazi Germans, New York, 1943. Also, JANSEN, JOHN B., and STEFAN WEYL: *The Silent War, the Underground Movement in Germany*, with a foreword by Reinhold Niebuhr, New York, 1943. Austria's Problems after Hitler's Fall, *Austrian Labor News*, New York, 1943.

The Russians have General von Seidlitz in readiness. In 1918, industrialists, *Junkers*, and some generals could remain at the sufferance of trade-union leaders concerned primarily with orderly demobilization, the post-armistice blockade, and legalistic-minded constitution making. Broad masses had confidence in their policy. There are no mass disciplinary agencies which could offer political alternatives to Nazi totalitarianism. The righteous indignation of metropolitan masses, not illiterate like many low-income groups in southern Italy, is apt to cause panic throughout the Nazi machines. Nazi functionaries will throw their badges away; there is no one without his embittered enemies. There will be suicides. It is unlikely that priesthood and clergy can cope with the traditionally indifferent metropolitan masses. Just as in 1918, their authority is likely to wane still further during the collapse, for German churches financially dependent on the state must celebrate victories of the swastika and give comfort to those serving Hitler. The oppositional declarations of confessional church ministers and the admonitions of bishops and lower priests are better known and publicized outside Germany than inside. It is doubtful whether the war will be defined and accepted as "divine judgment." Karl Barth's neo-Calvinist theology of the stern and inscrutable God has not displaced, and is unlikely to displace, the Lutheran and Pietist conception of the *liebe Gott*. Much of the increased irreligiousness among German middle classes may be accounted for by the difficulty of reconciling such a theological inheritance with events.

To be sure, in the face of occupation authorities, political somersaults will be numerous. There will be those for whom the saying applies: *la vieille garde se rend mais elle ne meurt pas*. Very probably opportunist representatives of vested interests and conservative middle-class men will profess their political virtues and offer their collaboration for a law and order which they trust will privilege them if underwritten by occupation authorities.

Should such a policy be successful in northwestern Europe from Belgium to Saxony, and policy is administration, no matter whether technically or militarily stated, it is likely to lead to structural divisions in Europe. We may expect agrarian revolutions to resume their course in the Baltic, Balkan, and Danube countries. Hungary is the neighbor of Tito's partisan forces, and developments in the Baltic countries have shown that in all areas occupied by the Red Army the vocal groups of the population are within a short time ready to promote or to allow changes modeled after the Soviet Union.

On the pattern of military victory, on the distribution of British, American, and Soviet forces at the time of the military collapse, on diplomatic agreements or lack of such, and on the time and form of the Nazi collapse itself depends the possibility of new Democratic Socialist revolutions in Vienna, in Saxony, Thuringia, Westphalia, and Berlin. It is likely that older and skilled workers with trade-union traditions will aim at defending plants and jobs against marauding, bombed-out desperadoes looking for the last transmission belt to cut up for sole leather. It is likely that villagers will group themselves for the defense of their properties; it is probable that tenement residents in working-class districts will form groups for guarding their homes, and it depends on unforeseeable factors whether such democratic self-help will swiftly lead to broader political organization tolerated by occupation forces or whether it will be nipped in the bud. If there is hope for a democratic reconstruction of German society, we would place it on democratic socialist labor, not on opportunist bureaucrats, big land owners, collaborationist-minded businessmen, and Nazi Badoglios.

After having steered Germany into and through the second imperialist war, such discredited economic oligarchs could maintain power only through repressive military rule. Bismarck's view may be correct that one can do all sorts of things with bayonets except sit on them. The tottering "pillars of German society" will hardly last longer than repressive military occupation.

Nothing short of the expropriation of German big business and agrarian capitalism in favor of a popular and hence socialist regime will effect the transfer of values necessary for the integration of a new Germany into a peaceful European order. Dismemberment of pre-Hitler Germany, deindustrialization, expropriation of European nations by non-European victors, fanning of Europe's nationality conflicts are the dragon seed of war. Peacemaking demands a vision of future dynamics, not a preoccupation with retrospective justice. As we locate the causes for imperialist aggression in Germany rather in specific social classes and institutions than in immutable racial endowments and as we place our hope for a democratic and peaceful Germany on labor, we would hope to see a swift release, rallying, and organization of anti-Nazi forces when there is time for anti-Nazi action. We could not expect it when conditions of disillusionment, bleak apathy, and unimaginative routines of postwar deprivation under indefinite military occupation have settled down.

Nazism is more than the rule of one wicked man, it is more than the rule of a gang, and it takes more than the translation of military

victory into court procedures of the victors against no matter how many "Axis criminals" to root it out. Nazism has its grass roots, and to prevent the revolutionary self-purgation of the German nation may be to give an impulse of life to renascent Nazism, skilled and probably prepared for going underground, Machiavellian and cynical enough to survive in many disguises.

Such regimes can be smashed by military power, but they can be displaced and superseded only by countermovements of broad masses following a sociologically informed strategy. German revolutionary tribunals against Nazis high and low should be tolerated. They would serve to redefine national values, a task that trials by foreign powers cannot perform. There will be no lack of plaintiffs and witnesses to bring to the fore what under Nazism is whispered only in medical terms, where concentration camps are "hospitals," in which men are "very, very sick." Underground heroes and martyred victims should be tolerated and encouraged to come swiftly to the fore, to claim power and prestige, to disclose Nazi crimes in public. It is not prudent to reduce them to "denouncers." It is not prudent to deal with Germany's "inner emigration," to quote Thomas Mann, as permanent "enemy aliens," but to aim at reconciliation. Punishment by the victor, after the shooting war, burdens the peace. War is war, that is understood. The continuation of war by other means leads to the well-known state of Europe "when there is no peace." It is fortunate that in Germany Nazism as a substantial political mass movement is not older than the great depression. With reference to the leaders, one should plan for ignominy, not for spectacular exits. Nothing more harmful could happen than to allow these eventful men to throw long shadows into the future. Under conditions imposed by another Holy Alliance a refurbished Hitler legend might do to Germany what the Bonapartist legend did to nineteenth-century France.¹

In all these reflections on the future, we should not risk taking developments for granted in which great and imponderable weights

¹ Cf. ANDERSON, C. ARNOLD: The Utility of the Proposed Trial and Punishments of Enemy Leaders, *The American Political Science Review*, vol. 38, No. 6, December, 1943, pp. 1081-1100. The author analyzes the conditions of peace at the conclusion of the Civil War against the Southern "slavocracy" and in the light of past experience cogently argues against those who have "nothing learnt and nothing forgotten." Anderson does not emphasize the difference in the situation in that the South had no choice, being part of one nation. The Germans may choose during and long after the collapse between East and West.

are still in the balance. The European war is but part of the war, and the Soviet Union is not committed in the Far East. Hence Ranke's cautious warning may not be malapropos:

In the world historical crises now and then moments occur when bloody hostilities seem to aim at a close alliance. . . . But these great alliances of empires, stemming from heterogeneous sources, embattled for centuries, are yet insecure because within them contradictory elements are at work which may well regain dominance.

CHAPTER XVIII

THE UNITED STATES AND THE FAR EAST AFTER THE WAR

FREDERIC A. OGG

THE UNITED STATES BECOMES A FAR EASTERN POWER

Direct American contact with the Far East may be said to have begun shortly after the Revolutionary War, when, in 1784, the *Empress of China* sailed out of New York Harbor, bound for Canton, and returned the next year with a modest cargo. It would indeed have been startling to Americans of that day to know that 160 years later the nation that they had founded would be engaged in a titanic war on the far side of the Pacific, on land and sea and in the air. And yet, so it came about, by inexorable logic of history. For a long time, to be sure, our interest in the Far East was almost wholly commercial. In the first half of the nineteenth century, our clipper ships employed in the China trade fittingly symbolized the American enterprise of the time; and near the middle of the century we served notice of our intention to go on developing our commercial position in the Pacific. This we did (1) by warning Great Britain and France that we would not want to see either of them get astride our westward trade lanes by occupying the Sandwich Islands (present Hawaii) and (2) by following Great Britain's historic Nanking Treaty of 1842 with China by securing 2 years later a treaty with that country that assured us of most-favored-nation treatment. We thereby asserted what came to be our oldest, most persistent, and most basic policy in the Far East, *i.e.*, equality of opportunity. Furthermore, if in getting this Chinese treaty we followed in the wake of British gunboats, 10 years later we, on our own part, led the way in forcing open the long-closed doors of Japan, preliminary to obtaining, in 1858, a general treaty of commerce with that nation.

There was, indeed, in this country during the mid-nineteenth century a very lively interest in the Pacific and the lands that lay beyond it. Only Britain's trade surpassed ours in the area, and a great future for our interests was envisaged. The Oregon Treaty of 1846, the accessions from Mexico in 1848, the gold rush of 1849, the

admission of California as a state in 1850, and the ensuing rapid growth of population on the coast brought the Pacific to our doors and, as demand arose for a transcontinental railroad, the argument chiefly employed was the contribution that such a road would make to the expansion of our trans-Pacific trade. In 1867, we acquired a position 1,000 miles west of Hawaii by taking possession of the uninhabited Midway Islands; and in the same year Secretary Seward planted our flag within a few hundred miles of Japan by purchasing Alaska (including the Aleutians) from Russia.

Except for acquiring the right to a naval station at Pago Pago in the Samoan Islands in 1878, little happened for another generation. In a period of great business opportunity and growth, our people were occupied to the limit with domestic enterprises; and our Pacific trade and shipping sharply declined. When at length, after 1890, a certain degree of economic saturation at home was reached, we began to look outward—only to find that things were happening in the Far East which, unless we bestirred ourselves, might make it forever impossible for the United States to gain the position in that quarter so confidently anticipated by Seward and others of his day. What was happening was, in brief, that imperialist-minded European Powers, fresh from the partitioning of Africa and encouraged by Japan's quick and easy defeat of China in the war of 1894–1895, were descending upon the vast, rich, but weak Manchu Empire and threatening it with a dismemberment that would leave it a mere collection of colonial dependencies, or at the least “spheres of interest,” each closed against the trade and investments of other Powers, and all closed against the United States.

In the face of this situation, we asserted ourselves in a number of telling ways. In 1898, we annexed Hawaii, already conceived of as a principal base for future naval power in the Pacific. In the same year, we took advantage of the war with Spain by annexing the Philippines, and also Guam as a way station thither. In 1899, Secretary John Hay wrung from all the major Powers pledges (however equivocal in some instances) to observe the principle of the “open door” in China and followed up by declaring it our policy (in words destined to become a formula) to uphold the territorial and administrative integrity of that sorely beset country. In 1900, we sent 2,000 troops to assist in protecting foreign life and property in China during the Boxer Rebellion; and in the next year we had an influential hand in the unexpectedly moderate international settlement embraced in the Boxer Protocol.

With these developments, the United States assumed a wholly new position in the Far East—a position whose logical and inevitable outcome is our war in China and the South Pacific today. Up to this time, we had traded with the Orient without assuming any responsibility for what happened there. But in 1898–1901 we stepped squarely into the Far East, established ourselves as a possessor of Far Eastern territory, took over islands designed to serve as stepping-stones thither, presumed to declare general policy on Far Eastern matters, maneuvered the other Powers into a grudging acceptance of that policy, and served notice generally that thenceforth our voice not only would be heard, but would be expected to have weight, in the consideration of Far Eastern problems. We did not do all this with complete unanimity at home. The Philippines were acquired by a margin of one vote in the Senate; and, as emphasized by Walter Lippmann in his recently published *U. S. Foreign Policy*,¹ the clashes of opinion engendered by the Treaty of Paris and its aftermath divided the nation so deeply and so permanently that it has never since been able to rally solidly around an agreed and consistent foreign policy. But the point is that, without fully realizing it—certainly without any perception on the part of our people generally—the men who guided our Far Eastern activities in the period referred to brought upon the country (whether rightly or wrongly is not the present point) a new set of commitments comparable only, let us say, to the historic commitment long before incurred in the Western Hemisphere in the form of the Monroe Doctrine. Reiterated and amplified as these commitments were in later days—by Wilson, Hoover, Stimson, Franklin D. Roosevelt, Hull, and others—they became, indeed, potentially far more momentous than any under the Monroe Doctrine; for we were not likely to be challenged on the latter but were almost certain to be—by an imperious Japan if by no one else—on the former.

In the widely read, sharply criticized, but undoubtedly influential book mentioned above, Lippmann has argued persuasively that the fatal weakness of American foreign policy for 40 years before Pearl Harbor arose from a glaring lack of correspondence between our steadily increasing commitments in the Far East and our notorious lack of preparation for backing up such commitments and fulfilling the obligations involved in them. It is not quite fair to say, as does one writer, that in 1941, at Pearl Harbor, our “bluff” in the

¹ Boston, 1943. See especially Chap. IV.

Far East was "called." We had not been deliberately bluffing. The bulk of our people simply had no conception of the risks we were taking; and although Theodore Roosevelt, in his day, understood what was happening well enough to insist that the Navy be substantially strengthened and the Panama Canal dug, few of our men in high places, then or later, seemed any more aware of the hazards of our Far Eastern and Pacific position than was the general public.

One may reasonably assume that our Oriental interests and obligations will take on many new aspects after the present war. With Japan crushed as a military power and a victorious China in the ascendant, it cannot be otherwise. The best approach to any consideration of the situation about to emerge is, however, a review of our Far Eastern commitments as they stood when the war began, and under two heads: (1) our existing interests in the area—our "stake" and (2) the national policies which we had avowed and to which we considered ourselves irrevocably pledged. We are today at war in the Pacific to protect those interests and to enforce those policies.

THE AMERICAN STAKE IN THE FAR EAST

Speaking broadly, our interests in the area under discussion have fallen into two main categories: (1) those of a tangible, material nature and (2) those of humanitarian, philanthropic, cultural, or moral significance.

Any enumeration of our material interests may well start with territory. Although the American flag was still flying over them, we had contracted to give the Islands full independence in 1946, when the Japanese seized the Philippines. Whatever we may later do about implementing their independence, they are still an interest of ours and indeed a major responsibility. A second stake, and our earliest, has been trade—not simply the trade that we actually had before Pearl Harbor, but the right to equal opportunity for trade, a right that was ours by multifold and solemn treaty guarantees. As it stood before the war, our total trade with the Far East was less than that with Canada, less than half of that with Europe. Nevertheless, it constituted some 19 per cent of our total foreign trade; and, in a period in which rehabilitation of our commerce abroad had been a major national problem, even that amount was of high importance. As remarked, however, more vital to us than this actual trade in and of itself were the maintenance and enforcement

of our treaty rights to equality of trading opportunity in China and elsewhere, without discriminations of any character. Third in the list, and closely associated with the foregoing, has been access to essential raw materials, which in some instances only the Far East could provide. We shall never again be so dependent upon the Orient for certain of these materials, notably rubber; and we shall in future use less of certain others, *e.g.*, silk. But, as bitter wartime experience has shown, full and ready access to Far Eastern products has been, and will remain, a major national concern. Then there is the matter of investments of American money in Far Eastern securities and enterprises—certainly a legitimate interest of our banks, industries, capitalists, and small lenders. To be sure, the total of our investments in the entire Far East has been small when compared with, for example, British investments in the same area, or with our investments in Canada, Latin America, or Europe. During the depression decade, it fell, indeed, from considerably over a billion to some 750 million dollars. But the stake was substantial; and, here again, equality of opportunity was a coveted right.

From many proper points of view, however, the most important part of our stake in the Far East has not been territory or trade or materials or investments, but rather a wealth of humanitarian, philanthropic, educational, and moral interests, acquired over a period of nearly 100 years. There have been widespread Protestant and Catholic missionary enterprises, with a right to protection for person and property of both foreign workers and native converts. There have been numerous educational undertakings, ranging from mission schools to higher schools and Western-sponsored and -supported universities. There have been medical schools, medical research institutes, and hospitals. There has been the weighty matter of protection for our nationals living and carrying on whatsoever kind of activities in Far Eastern countries—12,000 of them in China alone when the Japanese war was renewed in 1937. Above all this has stood the upholding of our national prestige and honor throughout the Far Eastern world. Surely a nation can have no greater interest or stake in any foreign land or region than the maintenance there of its good name and of respect alike for its strength and its integrity.

AMERICAN POLICIES IN THE FAR EAST

But we could not have had so imposing a list of Far Eastern interests without developing and declaring also a series of policies;

and, inasmuch as our accumulated policies will certainly furnish points of departure for our handling of Far Eastern problems after the war, it will be worth while briefly to call some of them to mind. With respect to the Philippines, our basic policies have for 40 years been (1) to encourage and facilitate the preparation of the Islands for self-government and (2) to keep open the question of their ultimate independence. By 1941, self-government had so far progressed that less than 3 per cent of public officials and employees in the Islands (including school teachers) were other than Filipinos; while the road to separate statehood had been kept so completely open that from 1934 we had been pledged to complete insular independence, starting in 1946. As for Japan, (1) we took the initiative in influencing her to abandon her policy of isolation and welcomed her—to her own satisfaction as well as ours—into the family of nations; (2) we were the first to show willingness, as the nineteenth century drew toward a close, to revise early treaties depriving her of full freedom of action, and hence of full equality with other states; (3) we insisted upon equality of opportunity in the country, but nothing more, for our traders, investors, missionaries, and teachers; (4) in periods of Russo-Japanese tension and war, *e.g.*, 1904–1905, we favored a strong Japan, with a view to perpetuating a Far Eastern balance favorable to our interests and to the *status quo* in general; (5) at the Washington Conference of 1921–1922, we assented to arrangements guaranteeing to Japan unquestioned naval superiority in Far Eastern waters; (6) on numerous occasions after 1898, we acquiesced, with such grace as we could, in bold Japanese advances and pretensions, in recompense for her acceptance of our own position as a Far Eastern power, particularly in the Philippines.¹ And if, after coolness, and even tension, arose between the two countries because of our dislike for Japanese aggressiveness and Japanese dislike for our immigration policies, we advanced by stages to suspicion, criticism, condemna-

¹ Thus in 1905 we turned a deaf ear to pleas from Korea for at least moral support against Japanese aggression destined soon to rob the country of even the semblance of independence; in 1917, in the Lansing-Ishii notes, we laid ourselves open to criticism by a highly unguarded recognition of Japan's "special interests" in China; and at Versailles, in 1919, President Wilson made the mistake (as we now can see) of agreeing to permit Japan to keep the former German islands north of the equator (the Marshalls, Marianas, and Carolines) under what turned out to be a fictitious and unenforceable mandate from the League of Nations—islands which in 1941 made possible the Japanese attack on Pearl Harbor and impossible any assistance from us to the invaded Philippines.

tion, and eventual protest, we nevertheless refrained completely from any sort of punitive action until driven to it rather by our own economic necessities in connection with the defense effort of 1940-1941 than by a disposition to apply positive sanctions against a fast-armament potential foe. Under restrictions, we were, indeed, still trading with the Japanese Empire only a few weeks prior to Pearl Harbor.

But it is rather our policies toward and concerning China that have the greatest relevance for the present discussion. It is, indeed, primarily, if not solely, because of these policies that we are now at war in the Pacific area. With respect to China herself, internally, we have consistently maintained four major policies, as follows: (1) full sympathy with the country's national aspirations and with every effort on its part to provide itself with a strong and independent government; (2) in line with this, a declared readiness, for many years, to revise treaties so as to eliminate all "unequal" features, *e.g.*, those relating to tariffs and extraterritoriality, just as soon as the country could create for itself a government sufficiently strong and stable to be able to speak for it in a responsible way; (3) no disposition to interfere with the country's internal affairs or to take sides with any of its political groups—we being the first to recognize the Nationalist government headed by Chiang Kai-shek after it emerged on top in 1928 (significantly, by concluding a treaty with it conceding full tariff autonomy); and (4) insistence upon equality of treatment (at China's hands) for our nationals and for their interests, including adherence to the most-favored-nation principle which we caused to be written into our first treaty with the Manchu Empire in 1844, and, combined with this, insistence upon maintaining American armed forces at strategic points in the country and American gunboats in Chinese rivers and coast waters until such time as American residents and travelers could be deemed no longer in need of such protection for life and property. Notwithstanding some resentment of "encroachments" such as those just mentioned, and of our restriction of Chinese immigration—not to mention our occasional tenderness toward Japan—our policies toward China caused us for 100 years to be regarded by the Chinese as their best friend among the nations.

This opinion was strengthened, too, by our policies in later times relating to the dealings of other nations with China, or with one another in matters pertaining to China. Antedating every other position taken, and never for a moment relaxed after being first

enunciated (in essence) in Daniel Webster's instructions to Caleb Cushing in 1844, has been the policy of insisting upon equal opportunity for all nations throughout the territory of China—in other words, the historic policy of the open door. Applying primarily to trade, the principle has progressively been broadened to embrace economic relationships of all kinds and, by implication, even such matters as travel, residence, and missionary activities. Developed later but gaining major importance when China, weakened by Manchu decadence, by revolution, and by civil disorders, began to be menaced internationally in the present century, has been the policy of demanding that all nations respect the sovereignty, independence, and territorial and administrative integrity of China, and along with this the policy—enunciated in 1915 when Japan was pressing the Twenty-one Demands upon a helpless Chinese government, reiterated by Secretary Stimson during the Manchurian conquest of 1931–1932, and adhered to steadfastly by the Hoover and Roosevelt administrations—of refusing to recognize any agreements or arrangements tending to impair such sovereignty, independence, or integrity.¹

A third policy in this connection has been that of opposition to any act or policy tending to deprive China of the fullest and most unembarrassed opportunity to develop and maintain for herself an effective and stable government.² Still another has been the readiness of our government to cooperate with other governments in matters relating to China when reciprocal commitments or common responsibilities have been involved—without, however, yielding full right of independent action.

In enumerating the foregoing American policies relating to the Far East, we have, in effect, explained why the United States is now

¹ It is the fashion in some quarters to deride mere *nonrecognition* of the fruits of aggression. It is, remarks one cynic, as though we were to say, "Though we will not lift a finger to prevent your being attacked, be of good cheer; after you have been killed, we will refuse to recognize that you are dead." There is more to it, however, than that; else Japan would not have resented so keenly the nonrecognition policy of the United States as applied to the situation in China.

² The three foregoing policies will be found asserted, almost in the language here used, in Article I of the famous Nine-power Treaty concluded at the Washington Conference of 1921–1922. Indeed, if one were looking for a concise and authoritative statement of American policy concerning China, he could hardly do better than turn to the article cited. Although found in a multilateral instrument, it admirably epitomizes the policy of this country, one of the signatories.

at war in that area—why, indeed, the war lords of Tokyo decided to strike first at the United States when once the time was deemed ripe for an armed challenge to the West. At many points our policies ran sharply counter to the projected Japanese “new order” for Eastern Asia, but most of all in respect to China. Japan was bent, above all else, upon subduing China and making it perpetually tributary. The United States favored a free, independent, and sovereign China, and persistently refused to recognize or condone any arrangements incompatible therewith. During the sparring that went on for weeks between our State Department and the Japanese emissaries in the autumn of 1941, the issue was brought sharply to a head.¹ Japan offered to keep troops permanently only at certain points; we could not agree. If we would resume selling oil to Japan, Tokyo would withdraw its soldiers from southern Indo-China; we could not agree. We, on our part, demanded that Japan withdraw her troops from the whole of China and abandon forever the project of conquest which for 30 years or more she had pursued in that country; and after 10 days of waiting for an answer, it came in the form of the bombing of Pearl Harbor. As the Japanese themselves conceded, on practically every other issue a compromise was capable of being found. On the question of China, it was as if an irresistible force had met an immovable body. Our government could have avoided war only by completely reversing its well-considered previous attitude and policy relating to China—which manifestly it could not do without stultification.

Nor can we hope to keep out of any future general war in the Far East. For better or worse, we, for nearly 50 years, have not only maintained *relations with* that area but have actually been *in it*—in the sense that we have held territory there, have carried on business, commercial, and educational activities there, and have sought to influence, and even control, the course of political events there. Only by some extraordinary act of renunciation and repudiation could we divest ourselves of responsibility for and involvement in Far Eastern affairs; and even such an act, were it conceivable, would not avail us long, for the Far East has been drawn irrevocably into the general swirl of world interrelationships and can no longer be ignored or avoided by any nation not hermetically sealed against all external contacts. “In that quarter of the

¹ For the documents, see *Papers Relating to the Foreign Relations of the United States—Japan: 1931–1941*, vol. II, Washington, 1943.

world," aptly remarks Prof. Nathaniel Peffer, "certainly we can resign ourselves to the necessity of choice: either prevent future wars or fight in them, no matter how many of them there may be and how devastating."¹

THE PROBLEM OF THE POSTWAR FAR EAST

If we have now made reasonably clear the heritage of Far Eastern commitments with which we came into the present war, and also the reasons why we must consider ourselves in the Far East to stay, we are prepared to turn to the problem of that area in the postwar era, as it affects us. The problem is, of course, a baffling one. And yet, in some ways it is simpler than that presented by postwar Europe—simpler inherently and simpler for us. It is simpler inherently (1) in that, save for a single Far Eastern nation running amuck, there would be no special wartime problem at all—so that the main objective is merely to set that nation back in its place and provide means of keeping it there; (2) in that there is no such bewildering labyrinth of historical, racial, religious, and economic interests, almost or wholly irreconcilable, as that which complicates the scene in Europe; and (3) in that the causes of war are more obvious, tangible, and capable of being anticipated and guarded against. The problem is simpler for *us* in that, whereas we entered the European war with certain clear objectives, to be sure, but yet with no agreed or declared policies and commitments reaching very far beyond the mere overthrow of Nazism and Fascism, we went into the Far Eastern war, not only with such immediate objectives as the vindication of our national honor, the frustration of Japan's designs upon China, and the recovery of the Philippines and other lost possessions, but—as we have seen—with a long-cherished, tenaciously held, and perfectly definite body of rather detailed policies—policies which today supply a ready-to-hand pattern for our postwar thinking on Far Eastern matters. It would be easy to oversimplify the task of postwar settlement in the area under consideration; and some of the difficulties inherent in it will be indicated below. The present point simply is that planning for the new Far East ought to be somewhat easier than for the Europe of the future.

For purposes here, the problem of the postwar Far East may most conveniently be broken down into (1) certain questions pertaining to the immediate postwar settlement, *i.e.*, questions that

¹ *Basis for Peace in the Far East*, p. 4, New York, 1942.

will have to be settled, one way or another, when the general settlement is made, and (2) certain others that are by nature long-term.

QUESTIONS RELATING TO THE IMMEDIATE POSTWAR SETTLEMENT

At the outset, there arises the interesting question of how much of a part the United States will have in shaping the terms of peace, and of a new order, with respect to the Far East and Pacific area. When victory is finally achieved in that area, a large share of the credit will have to be assigned to China. For almost 4½ years she resisted the Japanese singlehandedly, with only such limited assistance in money, munitions, and supplies as the United States, Great Britain, and Russia cared, or were able, to extend to her; and after the swift Japanese conquest of American, British, and Dutch possessions in the area, she kept the better portion of Japan's armed forces continuously occupied while the Western Allies were ardently preparing their counterblows. From the present point onward, however, more of the burden of the final defeat of the Japanese will fall on the United States than on any other of the Allied Nations. Great Britain may be counted upon to cooperate powerfully, and it is, of course, possible that in the end Soviet Russia will bear a share. But for reasons that must have become obvious, the Far Eastern war is in a peculiar degree our fight; and this supplies the first reason for believing that ours will be the primary responsibility for leadership in the postwar pacification. A second reason is that, while Britain will of course be deeply concerned about the Far Eastern settlement, that Power is, after all, European, as the United States is not, and will be most immediately and completely absorbed in the settlement nearest home. A third circumstance is that the peoples of the Orient—not only in China and Korea but in the Netherlands Indies, in Indo-China, and even in India—are, in the midst of war, looking earnestly to us, not merely to deliver them from the Japanese oppressor but to see to it that they are given a fair opportunity after the war to work out for themselves a regime of liberty and self-government.

It well may be that these peoples are expecting too much from us; for, after all, in spite of plenty of statements of high promise from President Roosevelt, including the jointly sponsored Atlantic Charter, we have not definitely committed ourselves on the conditions of Far Eastern settlement beyond military defeat of Japan and independence for the Philippines.¹ Furthermore, we can hardly

¹ For an argument that the United States should lead in bringing about now

expect to be—perhaps should not *desire* to be—in a position to dictate the terms of the coming Far Eastern settlement equally as against our associates and the common enemy. It is unthinkable, for example, that we should jeopardize everything by holding out uncompromisingly for permanent relinquishment of their former colonies in Southeastern Asia by the British and the Dutch, however firmly convinced we might become (certainly we are not so now) that such a course ought to be followed.¹ Nevertheless, no one of the Allied Nations can expect to have more to say or to wield weightier influence, when at last the terms of a general peace are to be worked out.

There will, of course, be a new map of the Far East; and making it will raise numerous questions, some easy to answer, others not at all so. It is to be taken for granted that the invader will be expelled from all parts of China now occupied and, similarly, from all other areas, continental and insular, overrun since December, 1941. It is generally assumed also that all areas absorbed into the Japanese Empire between 1894 and 1941 will have to be relinquished, leaving the Japanese flag flying over only the 147,327 square miles of insular territory constituting the country before it started on its career of aggression. One of the first questions to arise will be that of the lands that China is to be enabled to recover; and on this the Chinese themselves naturally have some very definite ideas. They will demand, and undoubtedly obtain, Manchuria, Formosa, and the Pescadores. They would like to have the Ryukyu (or Loochoo) Islands, stretching southward from Kyushu toward Formosa, even though these have been Japanese from as early as 1879, and, when abruptly annexed in that year, were merely under Chinese suzerainty.

But the Chinese will have other demands that will make more trouble; they will want territories held or dominated also by their friends. For example, they will want to recover sovereignty over Tibet, once belonging to the Manchu Empire, but in later decades dominated by Great Britain. Much as anything else, they will

—before the war ends—an Allied agreement upon the principles of a general liberation of Oriental peoples, see Hallett Abend, *Pacific Charter; Our Destiny in Asia*, pp. 27–31, Garden City, N.Y., 1943.

¹ For an argument in favor of such all-round relinquishment, see Peffer, *op. cit.*, Chap. VIII; for a strong opposing view, see L. A. Mills, The Future of Western Dependencies in South Eastern Asia and the Pacific, *American Political Science Review*, vol. 37, October, 1943.

want to regain the island of Hong Kong, ceded to the British in 1842, developed by them into a great commercial emporium, and—until its capture by the Japanese in 1942—holding an honored place among the crown colonies within the Empire. They, of course, will expect to regain the adjacent British-controlled Kowloon; also the little run-down Portuguese colony of Macao—the first place on Chinese soil actually occupied by a European Power (1557). And they will not be disposed to give up forever the large northwestern area of Outer Mongolia, since 1921 a nominally independent sovietized republic, not included in the Soviet Union but located on its frontier and jealously watched and protected by Moscow. Perhaps the question of Outer Mongolia, and even that of Tibet, can wait. But it is doubtful whether anyone can prevent an issue being made of Hong Kong; for in Chinese eyes that British possession is a symbol of a full century of Western imperial encroachment. The British will not want to give up the place—the less by reason of the humiliating circumstances under which it was taken from them in 1942. But China will be insistent, probably more so than the actual disadvantages of British possession will seem to justify. One solution might be the restoration of the island to Britain, with arrangements for gradual relinquishment of British control over a period of years. Another might be the establishment of some form of international control, although that is quite definitely a sort of thing that China wants to see ended on her soil.

All these matters will be of interest to the United States. Times without number since the days of John Hay, we have affirmed our opposition to any dismemberment of China. On the retrocessions by Japan, we shall take a firm and unequivocal stand. On the questions of restoring areas like Outer Mongolia and Hong Kong, our position will be less clear; we might prefer to see such restorations made, but we can hardly be insistent.

There will be the problem, too, of Korea. Paying the penalty for its situation geographically at the crossroads of Japanese, Russian, and Chinese interests, that unhappy land—with an area of 85,228 square miles and a present population of 24 million¹—was forced into a hated union with Japan some 35 years ago. When taken over, it was one of the most poorly governed and poverty-stricken countries in the world and, from the point of view merely of

¹ There are also some 2 million Koreans in Manchuria, and these, together with groups in China, the Russian Maritime Province, Formosa, Hawaii, and the United States, bring the total for the Korean people to perhaps 27 million.

administrative efficiency and material improvement, it has profited considerably from Japanese rule. That rule, however, has also been utterly autocratic and almost unbelievably harsh; and from the beginning until now the inhabitants of this Ireland of the Far East have clamored and schemed and worked for a recovery of their independence. Needless to say, they are at present calling loudly for liberation, with three different groups of agitators (based upon Chungking, the Russian Maritime Province, and Hawaii) urging upon the Allied Nations their right, respectively, to be allowed to set up an independent government at Seoul as soon as Japanese control shall have been terminated. Independence for the long-oppressed Koreans will, no doubt, be a feature of the postwar settlement. No decision will be more easily reached; for, although tributary to China during many centuries, the Hermit Kingdom was never an integral part of that country and would not be wanted by it even if offered—while no other state would have even the remotest claim.

Unfortunately, however, this does not completely settle matters, because it is very doubtful whether the Korean people are as yet capable of governing themselves peacefully and capably. When previously independent, their country was the scene of chronic disorder. Under Japanese domination they have merely been kept in order by the bayonet, without opportunity for any advancement in the art of self-rule. What safeguards to set up because of this situation will be a question, and a perplexing one, for those who shape the terms of peace. Although in their enthusiasm they will not admit it, the Koreans will need a more or less prolonged period of political tutelage. Conceivably, they might be placed under guardianship of some successor to the League of Nations; conceivably, too, they might be trusted to the benevolent protectorship of some disinterested foreign state. But it would be very difficult to win Korean support for any such arrangement. Here, no doubt, is a point at which the United States will have to make its voice heard and indeed bear primary responsibility. To the Korean way of thinking, we failed the country once, when, notwithstanding a treaty of 1882 in which we agreed to exert our good offices in case other Powers should deal with the Korean government "unjustly or oppressively," we did not lift a finger to oppose the long series of aggressive actions by which Japan extinguished the country's independence; and Secretary Hull has been obliged to throw cold water on the aspirations of certain self-constituted groups of Koreans

in this country now seeking to assure themselves of our support in the day of final settlement. By and large, Koreans, however, will have more confidence in the good intentions of the United States than in those of any others of the Allies, unless possibly China; and precisely what status Korea will be permitted to attain will probably be determined primarily by us.

Another area which, once taken from Japan, will present a problem is that including the mandated Marshalls, Carolines, and Marianas, together with certain other "floating fortresses" (mainly the Bonins) now forming integral parts of the Japanese Empire. Japan knew what she was doing when, back in 1914, she argued her British ally into allowing her, in lieu of the Australians and New Zealanders, to gather in the German-held islets north of the equator, and equally when later she insisted on retaining them, even though obliged to agree to hold them only as a mandate from the League; because the mandate was never much more than a fiction and by furtively fortifying selected points in the archipelagoes, she was able to project her armed might 2,600 miles into the Pacific and to create the situation which, as indicated above, in 1941-1942 made possible the attack upon Pearl Harbor. As a recent writer has remarked, it remained for Japan to "demonstrate the value of small Pacific Islands."¹ By her persistent and scornful violation of the terms on which the islands were entrusted to her, Japan long ago forfeited all right to them. But, in any event, she will be stripped of them when the war is over and possibly also of the Bonins and the Spratleys, which likewise have been key points in the extension of her aggressions.

The question to be faced will be that of the disposition to be made of the islets. Scattered over an enormous expanse, possessing an area (within the mandate) of only 950 square miles and a population of hardly above 100,000, and with no developed national consciousness and no experience in self-government, they certainly cannot simply be turned loose. Germany will most certainly not be permitted to recover them, nor yet Spain, from whom they passed in 1898 to Germany. An obvious alternative would, of course, be to put the islands under the control of a new League or whatever international organization emerges, with the possibility of their being eventually assigned as a mandate to some particular Power. The rather startling suggestion, however, has also been offered that they

¹ ABEND, *op. cit.*, p. 218.

be annexed outright by the United States, it being agreed that, notwithstanding our disavowal of any intention to get territory out of the war, the security of our future position in the Pacific, and especially of our access to the Philippines (whether independent or not) and to China, is so supremely important that the opportunity ought not to be missed. Whether or not support for a step so charged with potentialities develops on any considerable scale, it may be taken for granted that our government will try to make certain that the islands shall never again be used against us as they have been in the present war.

But a much larger question than any thus far mentioned will have to be answered immediately after the war, if indeed not sooner: How shall a defeated Japan be dealt with? With what elements or authorities shall peace be made and on what terms? And the problem will be a major one for the United States, because although in varying ways Great Britain, Russia, and certainly China, will have a vital interest in it, no one of those powers will in the end bear any heavier responsibility for solving it. Already, the matter has been discussed rather widely among us (as well as abroad), with some general points of agreement emerging, but also some wide differences. Four things, especially, seem to be taken for granted: (1) The Japanese Empire must be broken up by stripping from it all territories acquired by war or by rough diplomatic tactics since 1894. This would include (in addition, of course, to everything seized in these most recent years) Formosa and the Pescadores, the mandated Pacific islands, Manchuria and Jehol, and Korea—all of which are non-Japanese in population but of demonstrated usefulness to Japan for military purposes. (2) Japan must be disarmed by being compelled to disband her armies, surrender or scuttle her fleet, and do away with her air force—and not merely disarmed for the moment, but placed under restraints calculated to prevent her from rearming and from renewing aggression, such restraints to remain operative until whatever day the world becomes convinced that she has experienced a change of heart and is willing to be guided in her policies by elements and forces of a nonmilitarist character. (3) Those persons (whether military or otherwise) who have been primarily responsible for Japan's violent and destructive course since 1931 must be punished, preferably by a new and liberalized Japan, if such emerges, but in default of that, by agencies created and directed by the United Nations. (4) With a view to seeing that this purpose is carried out and ensuring bona fide disarmament, the

United Nations must establish a military occupation of the islands for a period of at least a year or two.

Beyond these points (and there is not full agreement on details relating even to them), opinion diverges sharply. On the one hand, there is a school of thought, well represented by Prof. Nathaniel Peffer, which, while conceding that Japan has "legitimate needs," maintains that as a first necessity of future peace in the Far East, "Japan must be not only defeated but crushed—maimed and left helpless beyond possibility of recovery for a long period";¹ and by Major George Fielding Eliot, who calls for the complete destruction of Japanese industry, "so that not one brick of any Japanese factory shall be left upon another, so that there shall not be in Japan one electric motor or one steam or gasoline engine, nor a chemical laboratory, nor so much as a book which tells how these things are made."² At the opposite extreme are those, represented by the late Prof. Nicholas Spykman of Yale,³ who argue that as an offset against a huge, victorious, powerful, and buoyant China after the war, we should favor the maintenance of a strong Japan—a Japan liberalized, to be sure, but not ground into the dust, nor even so paralyzed as to be unable to play a major role in international affairs.

Between these diametrically opposed approaches to the Japanese problem one finds all sorts of intermediate opinion, especially to the effect that if the Japanese are ever to be influenced to throw off the incubus of militarism and emerge as good neighbors in the family of nations, they will have to be dealt with firmly yet in no spirit of vengeance—opinion, too, realistically arrived at—that it simply is not practicable in this day and age of the world to treat any nation as the "positivists" propose to deal with Japan. But the problem is one upon which the American people and those who speak for them will have to make up their minds. The conclusion seems likely to be that, once victory is complete, the military shattered, and some reasonable promise of Japanese liberalization assured, we shall take the sensible view that it is neither practicable nor desirable to impose on any defeated people a status or regime relegating them permanently to a lower level than they believe to be rightfully theirs.⁴

¹ *Basis for Peace in the Far East*, p. 56.

² *New York Herald-Tribune*, Apr. 23, 1943.

³ In his *America's Strategy in World Politics*, New York, 1942.

⁴ LATTIMORE, OWEN: *America and Asia*, p. 51, Claremont, Calif., 1943. It may be added that the Chinese themselves are not of one mind concerning Japan's

Closely related is the question of how far the United Nations should go toward compelling a defeated Japan to change her system of government. Should she be required, as a condition of release from military occupation, to bring all military policy and action under civilian control, to make ministers genuinely responsible to an elective branch of parliament, to popularize (or abolish) the aristocratic and plutocratic House of Peers, to institute a truly parliamentary regime? What, furthermore, of the Emperor? Should he be deposed by Allied action if the Japanese themselves will not go that far?

It is probably in connection with the Emperor that this general problem will take most concrete and challenging form; and a word may be said about some points of view already evoked. It is argued that the "Son of Heaven" is so inextricably bound up with the Japanese concept of the state that no political regime (liberalized or otherwise) could hope to survive if he were removed from the scene; that, personally, Hirohito is a thrifty, hard-working individual, a liberal at heart and opposed to the present war, but so situated that he has no alternative to going along with the militarists; that, once the militarists are defeated and discredited, he can be of great service to a triumphant liberalism, heading up a perfectly acceptable constitutional monarchy; and that he will be an indispensable symbol of national unity and stability in the difficult postwar period. With equal insistence, it is contended in other quarters that the Imperial house has long been a bulwark of militarism and a principal instrumentality of militaristic indoctrination of the people; that the Imperial establishment is the very heart and core of the existing aristocratic political and social system which we are hoping to see destroyed; that if Hirohito is a "liberal" and opposed to the war, he has given no evidence of the fact, but is, on the contrary, known to have received with manifestations of satisfaction the frankest accounts of the frightful actions of the Japanese soldiery in China; and, finally, that—at all events for a long time to come—it is futile to toy with the notion of a Japanese constitutional

future. One school of opinion favors subjugation on such lines that the Japanese can never again attain power, even industrially. Another considers this unworkable and would allow Japan to go on as a seafaring and industrial nation, thereby assuring itself the prosperity which alone might produce contentment and a disposition to live amicably with neighboring states. The latter viewpoint seems likely to prevail, provided the Chinese do not get the idea that the Western powers are seeking to balance off a strong China with a strong Japan.

monarchy developing on English lines, for the basic reason that there is as yet no such thing as Japanese liberalism and no prospect of conditions emerging in the nearer future such as underlay the transformation of English kingship into the benevolent and useful institution it is today.

The matter of the Emperor alone (quite apart from other questions of political import) therefore promises a dilemma; and the problem will have to be solved, in one way or another, when peace is made. The happiest solution, of course, would be for the Japanese people themselves to turn upon the Imperial régime and repudiate it. But so easy a way out cannot be counted upon and, indeed, is not to be expected. Article 3 of the Atlantic Charter may seem to supply the answer when it declares for the "right of all peoples to choose the form of government under which they will live"; and President Roosevelt has appeared to assume that this will take care of the Japanese situation, since "no nation in all the world that is free to make a choice is going to set itself up under a . . . Japanese war-lord form of government."¹ The matter, however, is not quite so simple. The Japanese emperorship not only is today a going concern, but is to such an extent the core or kernel of the Japanese system that neither army nor state in reality exists without it. Not only because the spirit of the Atlantic Charter forbids it but also because the forcible imposition of governmental innovations and forms upon a people even half-free is one of the most futile policies that can be undertaken, we may assume a reasonable degree of caution on the part of those who eventually lay down terms to a defeated Japan. This may or may not involve insistence upon elimination of the Imperial office and title. Everything will depend upon a course of events still to be disclosed. In the ultimate decision, however, the voice of the United States will probably have primary weight.

SOME LONG-TERM PROBLEMS

At the close of the war, the United States will be confronted also with Far Eastern problems which by their nature will require more time for solution. A few of these may be mentioned and commented upon briefly.²

¹ *New York Times*, Feb. 13, 1943.

² Until little more than a year ago, one might have expected to include among these the long-standing question of the revision of China's "unequal"

Assistance in the Upbuilding of China. When peace returns, China will have been engaged in deadly combat considerably longer than any other of the Allied Nations; and, although she will emerge with an army of 4 or 5 million hardened veterans and with a new status of equality among the nations, she will emerge also in a shattered condition. Her principal cities will have to be reconstructed, most of her railroads and factories rebuilt, her merchant marine rehabilitated, much of her farm land reconditioned, millions of her people returned to their former homes or provided with means of making a living in new ones. And this will offer a challenge to the Western nations, again most of all to the United States. China will count on substantial Western aid; and it will be to the West's interest to see that she obtains it. There will be need for loans of money, and even more for loans in the form of capital goods on credit—machinery and raw materials—not only, as Prof. Peffer has pointed out, to replace what has been destroyed but to establish a genuine national industrial plant for the first time.¹ There will be need, further, for technicians—thousands of them—to help install new equipment and to train engineers, foremen, and workmen to operate it. Much of this assistance will have to come from the United States, whether through the medium of Lend-Lease agreements projected into peacetime or on some other basis; and it is important that it be provided without mortgaging, in any respect, the future independence of China. If American, or other, aid is extended on terms permitting foreign supervision or control over Chinese railways, factories, business establishments, or administrative authorities, the situation will be again as it was before, with the groundwork laid for future disputes and possible wars.

treaties, with a view to full equality for the country in the community of nations. On Feb. 11, 1943, however, President Roosevelt ratified, with the unanimous advice and consent of the Senate, a treaty not only abrogating all provisions of earlier treaties (beginning with that of Wanghia in 1844) giving the United States extraterritorial rights in China, but also terminating American rights in the international settlements of Shanghai and Amoy and likewise special rights of navigation and of naval police in the coastal and inland waters of China. So far as the United States is concerned, this historic issue has been settled; and it may be added that Great Britain has concluded a similar treaty—with still others already negotiated, or in process of negotiation, by various remaining Powers. Presumably, the involuntary concurrence of Japan when peace is made will end the chapter. For the text of the American treaty, see *American Journal of International Law*, vol. 37, April, 1943.

¹ *Basis for Peace in the Far East*, p. 210.

The new China will be confronted with weighty agricultural problems. With the weightiest, *i.e.*, curbing the abuses of landlordism and getting more land into the possession of the masses, the West can probably have little directly to do. On the other hand, one almost might say that China's industrialization is a Western problem—in the sense that without Western capital, machinery, materials, and technical skill, it cannot proceed at all; and, although the more immediate benefits to accrue to the Chinese masses from industrialization are no doubt exaggerated by some students of the subject, both Chinese and foreign, such industrialization is in the long run indispensable to a higher standard of living, without which, in turn, China can never realize for herself the full benefits of the modernized civilization to which she aspires.

The Future of the Philippines. Under terms of the Philippine Independence Act of 1934, the Philippine Islands were scheduled to receive full independence in 1946. From the time when they occupied the Islands in 1942, the Japanese sought to convince the inhabitants that the American pledge would never have been redeemed and that independence was actually to be anticipated only at the hands of a benevolent Japan. On Oct. 19, 1943, indeed, they went so far as to announce the Islands' "independence"; and since that date a nominally autonomous, although of course Japanese-controlled, government has been functioning at Manila, with a former Supreme Court justice at its head. Meanwhile the Filipinos have been assured repeatedly from Washington that the United States will give them independence as soon as the war is over—even before 1946. For a time, however, such independence will in any case have to be *de jure* rather than *de facto*, with the process of fully implementing it requiring a good deal of time. We know enough about Japanese methods to be warranted in assuming that, when the invader is pushed out of the Islands, he will leave them prostrate. Property will have been destroyed, industries disrupted, population scattered; finances will be in chaos; government will have to be reconstructed from the ground up; probably there will have to be a more or less prolonged period of Allied military occupation; certainly a huge burden of relief will have to be assumed. Under such circumstances, the United States will be called upon not only to lend a helping hand, but also to exercise considerable supervision, and probably over an extended interval of rehabilitation and recovery.

Even before the war, it had pretty well been agreed all around that the Philippine economy, based for 30 years upon preferential treatment in the American market, could not stand the shock of a sudden imposition of American tariffs in 1946; and, in line with recommendations of the Joint Preparatory Commission, reporting in 1938, a plan had virtually been agreed upon under which Philippine commodities would not become fully subject to such tariffs until 1961. Without doubt, some arrangement at least as favorable as this will have to be instituted after the war. Conditions, however, have changed, and there will be many new angles to the problem. There will also be the question of whether the United States shall be permitted to retain a naval base in the Islands—a matter on which, under the original Independence Act, the President was to negotiate with the insular government within two years after independence. Again, under the original legislation, the United States was to endeavor to procure international agreement to a neutralization of the Islands; and action of this sort may have to be undertaken. Indeed, there is the question of whether, if a new international or regional organization emerges, this country and the Philippines will any longer be in a position to settle their relations on a purely bilateral basis. All told, it is clear that while the Islands have been pledged an independent status (to be attained in actual fact when they are liberated from the Japanese), the United States has by no means divested itself of a "Philippine problem."

Oriental Immigration. Three successive waves of immigration from the Far East have raised problems for the United States. The first was the Chinese, starting near the middle of the past century and reaching such proportions in three decades as to lead to our Chinese Exclusion Law of 1882. The second was the Japanese, assuming importance after 1900 and leading to exclusion under the Gentleman's Agreement of 1907, replaced (in effect) by provisions of the Immigration Act of 1924. The third was the Filipino, arousing interest after the First World War and leading to a clause in the Philippine Independence Act of 1934 restricting Filipino admissions to the United States to 50 a year. In all three of the countries mentioned, our restrictive policy stirred resentment—most vocally in Japan, where our legislation of 1924 was particularly disliked because of substituting for voluntary agreement a rigid statutory prohibition construed as stigmatizing the Japanese as an inferior people. The Japanese were not mentioned by name, but

the effect was the same: persons not eligible for naturalization were debarred as immigrants; and, naturalization being confined by earlier legislation to white persons or persons of African nativity or descent, neither Japanese nor Chinese nor other Asiatics (with minor exceptions) could qualify. For a good while before the present war, there were those who urged that, with a view to placating Japanese sentiment, we should place Japan on a quota basis similar to that operating in connection with European countries; and much was made of the fact that to do so would require us to admit only some 200 Japanese immigrants a year. No action of the kind was taken; and after the experience we have had with Japanese (loyal and disloyal) within our borders in these war years, we are not likely to be interested for some time in permitting others to take up residence among us. On the other hand, our ally China has in the past year been brought under the quota system, and the 37,242 foreign-born Chinese in the United States (census of 1940) have been made eligible for American citizenship. Even on the quota basis, the number of Chinese admissible per year will not exceed 105. As President Roosevelt put it in a special message of Oct. 11, 1943, urging Congress to act, this step on our part operates "as another meaningful display of friendship" for a gallant ally. At the same time, it means preferential treatment of one Oriental people as against all others, and on this account it no doubt will in time create further problems relative to the subject.

Our New Situation vis-à-vis Soviet Russia. Russia has always been thought of by Americans as a European Power—an *Eastern* European Power at that, and therefore remote. After the war, this will be changed. The elimination of Japan as a Pacific Power will leave us directly confronting Russia; air communication will have brought us face to face with a nation which already, as a simple matter of old-fashioned geography, is nearer to us than any other Great Power, save only as Britain is represented through Canada. What kind of Russia will emerge from the present war, we cannot now know—whether, as is probable, a Russia content to spend a very long time repairing the enormous damage that will have been suffered by reason of the present war and, in general, developing the nation internally, or a militant, crusading Russia, bent upon becoming the spearhead of another dynamic attempt at world revolution. In the former case, the better understanding and closer relations between us and the Russians characteristic of the war years may be expected to persist; in the latter event, we easily might find our-

selves saddled again with stupendous Far Eastern responsibilities and tasks—since we certainly should not be willing, after having fought to save China and Southeast Asia from Japanese domination, to see these areas engulfed in a maelstrom of Russian imperialism and revolution. It is not to be forgotten, too, that Russia, in coming years, will be moving in our direction, in the little realized but very genuine sense of a remarkable expansion of population, enterprise, and wealth in Siberia. The agricultural, mining, industrial, and commercial potentialities of this vast Russian expanse are very imperfectly apprehended by outside peoples, including ourselves. But there can hardly be doubt that in the next 25 years we shall see an eastward movement into and across Siberia quite comparable with the nineteenth-century westward movement which went so far toward making our own country what it is. And that will mean for us a new sort of neighbor, with quite possibly some new neighborhood problems.

Enough must now have been said to suggest that, after this war, the American people cannot wash their hands of the Far East and simply “retire to their own side of the earth.” On the contrary, they will have many and important Far Eastern interests, responsibilities, obligations, and problems. They may hope, and should labor valiantly, for a just and durable peace in that quarter, because, if war comes again, they undoubtedly will be in it. On the whole, they can be proud of the record they have written in the Far East in the past 150 years. It is not spotless, but it stands up well in comparison with others. The new chapter now being opened will test the national vision and integrity as none that has gone before it.

CHAPTER XIX

THE PATTERN OF POSTWAR PAN-AMERICA

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The appearance of the great land masses as seen on a map of the world or a globe would suggest that the world is concerned with only two important units: Eurasia and the Western Hemisphere. This is superficial and specious reasoning, of course. It is scarcely worth while to take the space involved in refuting such an argument, but it is sufficient to say that the burgeoning forces of nationalism, the present inadequacy of means of transportation, internal physical, linguistic, cultural, and other obstacles, and still additional factors of widely diverse sorts make these two great land masses anything but units in themselves. It is perhaps more logical to assume that a certain degree of unity underlies the plans and purposes of the various components of the two continents of the Western Hemisphere, but a realistic approach will inevitably and almost immediately reveal a certain weakness in that line of reasoning. It may be that the world is approaching a continental or even a global pattern of organization but, as things stand at present and as it appears they will continue for some time to come, the principal basis of political, economic, and social activity in world-wide affairs is the national state. This sort of premise must necessarily underlie any consideration of postwar planning and adjustment within or without the New World area.

At the same time, it may readily be admitted that from the time of the Monroe Doctrine, and even long before, the United States has had much cause to regard the other portions of the American continents with an unusual interest and, in some respects, with a greater concern than it has felt for Europe or Asia or both. It is in order, consequently, to examine the basis of such interrelationships within the Western Hemisphere and, if possible, to project them into the postwar period.

I

President Monroe stated it very succinctly when he said that "With the movements in this hemisphere we are of necessity more

immediately connected, and by causes which must be obvious to all enlightened and impartial observers." Monroe, in that famous policy of sixscore years ago, went ahead to say that we had enjoyed "unexampled felicity" under the system which was characteristic of the New World. We may be pardoned for overlooking the errors of fact or interpretation which Monroe made back in 1823 in regard to the degree of common denominator upon which the then independent republics of Latin America and the United States were superimposed, but we still can agree that the basic argument of a certain community of interests was and is valid.

It is beside the point to examine into the nature of governmental and political institutions in the 22 independent and quasi-independent entities in the New World, but it is safe to assume, for the sake of the argument, that democracy is at least an ideal and objective of all of them even if the concrete realization of it seems to fall far short of attainment in some cases, or in others appears to be consciously sidetracked, at least for the time being. It is significant, and certainly far more than coincidental, that the modern manifestations of dictatorship—and we are guilty of loose thinking if we assume that "European dictatorship" and "Latin-American dictatorship" are cut out of the same cloth and to the same pattern—are products of old-world political development, both European and Far Eastern, and not derived from political evolution in the Western Hemisphere. This fact in itself gives a certain basic unity to the political outlook of the New World area. Throughout the century and a quarter of the independence of the Latin-American states there has been, with but few exceptions, this common attachment on their part and ours to republican institutions. It may be readily granted that republican government deals with the form and democratic government with the substance, but at the same time form will often, at least on a *prima-facie* basis, give a clue to inner substance.

Another factor which, in the realm of the political, has resulted in a closer entente among the completely independent states of the New World is the pressure and the threat of pressure which has been exerted often enough from across the Atlantic to remind the several parts of the New World that if, in Benjamin Franklin's homely phrase, they did not hang together, they would very likely hang separately.

When we turn to things economic, we similarly find certain elements of linkage in the organization and activity of the various

countries within the Americas. It is readily recognized that so far as the United States and Canada are concerned, they have an economy that is complementary to that of tropical Latin America, by and large. It is an undeniable fact that this economy, at least in the agricultural sphere, is competitive rather than complementary with that of temperate-zone, southern South America. However, in other ways, even southern South America (specifically Argentina) has points in common with the United States in regard to its economy. Both of the regions are areas of economic growth; both of them are sections in which the topographic influence on economy is that of a relatively sparse population which is still improving its standards of living; both of them have, within relatively recent times, had a geographic frontier with its resultant psychological impress upon economic development. It is arguable, consequently, that there is a certain basic economic unity to the hemisphere, even though the point cannot be pushed too far without being considerably dulled.

II

By glancing at what happened yesterday, we are often enabled the better to interpret what is going on today and what may take place tomorrow. So far as the historic periods of development of United States relations with Latin America are concerned, they can, up to what we may call the era of the Good Neighbor, be conveniently divided into three periods. The first of these was the time—roughly a decade and a half—during which the Latin-American states were establishing their independence. The general attitude of the United States during that period was one of cautious sympathy.¹ We were emotionally inclined to respond with the enthusiasm of a young nation when we viewed the efforts of neighboring colonies to free themselves under somewhat similar circumstances from an odious foreign yoke. If the heart operated in that fashion however, the hard heads of John Quincy Adams and other statesmen of the day dictated conservatism, and, in this instance, the head took precedence over the heart. It was only after the fact of Latin-American independence had been established in several cases and only when we realized that British policy would inevitably point toward the use of that country's unequalled navy to support the

¹ See, especially, WHITAKER, ARTHUR P.: *The United States and the Independence of Latin America, 1800–1830*, Chaps. 7–9, Baltimore, 1941.

same ends, that Washington extended diplomatic recognition to the sister states of the south. It may have been enlightened self-interest that governed the policy of the United States in those days—at least it cannot be denied that it was self-interest. The whole attitude of the United States government was most circumspect and cautious. Washington was exceedingly careful not to put itself too far out on some international limb—it well realized that the saw with which that limb might be cut still remained in European hands.

The three-quarters of a century following the consolidation of Latin-American independence, a period that would conveniently take us to the end of the nineteenth century, was a time which was characterized successively by the interesting phenomenon of Manifest Destiny, followed by an attitude of neglect, and that in turn by one of renewed consciousness of and interest in Latin America. There is neither space nor point in attempting here to evaluate the movement of Manifest Destiny. That vague and yet spectacular and startling attitude on the part of the United States gave color, more than did anything else, to the reaction of Latin-American governments and publicists toward the United States. The Latin-American heart, which during the first few years of independence had been readily exposed on the Latin-American sleeve, was quickly withdrawn, to be followed by a suspicion and even an open hostility which, in greater or less degree, continued for a full century. Manifest Destiny was a curious movement, one that perhaps was a natural outcome of the politico-psychological stage through which the United States was then passing.

The subsequent neglect of the Latin-American front was, of course, due to the United States' involvement with internal affairs: the growing problem of slavery, the crisis of the Civil War, and the later liquidation of the war's aftermath, which in turn was almost inextricably interwoven with the late nineteenth-century economic and territorial maturing of the United States.

The fact that we had fairly well rounded out our economic and territorial bounds, at least as of that period, by the 1890's made it the easier for the United States again to face outward. A combination of circumstances made it logical that the direction should be south rather than east or west. It is true that the acquiring of the Philippines and John Hay's open-door policy gave us a temporary orientation in the direction of the Far East, but that to some degree was artificial and could not displace the much greater and more

natural turning toward the south. Our renewed involvement with the area to the south was cemented with the developments of the half decade following 1898, which pointed toward a canal. We sometimes read that the Spanish-American War or the Hay-Pauncefote Treaty or the Panama Revolution opened the door to closer United States relations with the Latin-American countries. Actually, these were all part and parcel of the same broader pattern which pointed inevitably toward closer concern on the part of the United States with Latin America. This renewed consciousness of our neighbors to the south after several decades of relative neglect was probably "in the cards" and is not to be written off as the result of any single specific development.

The unfolding of this reborn interest since 1900 has assumed various forms. The first decade or decade and a half was symbolized by the Big Stick and Dollar Diplomacy. This period, which we might well wish to forget, was the reflection of an amateurish urge to participate actively in world or at least regional affairs at a time when we had not in the least perfected the diplomatic or other sorts of finesse for so doing. It is safe to conclude that the national intentions, at least on the part of the mass of the people, may have been good, that is to say moral and ethical, even if the motives of the much maligned Big Business were materialistic, but we can at the same time conclude that in diplomacy as in other fields it is attainments as well as, or perhaps rather than, intentions that count. The diplomatic accomplishments of the United States in this period of the early part of the twentieth century were discolored in large measure by the brashness, the lack of tact, and the naïveté which often characterized United States efforts. The most charitable view possible to take is to dismiss the diplomacy of the period as conditioned largely by inexperience.

The four years of the First World War offered the United States the greatest opportunity it had yet had for wholesome relations with the other states of the hemisphere and constructive leadership of hemisphere affairs. The opportunity was largely lost. It is beside the point here to inquire into the reasons for that wasted chance. In part it was due to the reaction toward provincialism which followed our heady and not entirely palatable taste of participation in world affairs between 1914 and 1919. This lost opportunity may also be partly ascribed to our failure to realize the ultimate advantages, materialistic or otherwise, of seizing and retaining idealistic leadership.

If the United States demonstrated a blind sort of imperialism in the first decade of the twentieth century, that imperialism was none the less evident, even if now dressed in new clothes which served as more of a disguise, in the dozen years or so following the First World War. The economic imperialism of the twenties was a period in American diplomacy which we might well wish to forget, even though the pros and cons of that involved decade cannot yet be properly assessed. The United States was doing much confused thinking during the twenties, and the roseate glow of easy prosperity resulted in a lack of clarity and perspective which blinded the mass of the people to the warnings of the few clear thinkers who existed among us at the time. Needless to say, the orgy of easy money which flooded Latin America in the form of ill-considered and poorly backed loans during that decade did nothing to strengthen the links—other than financial—between the United States and Latin America. The later Latin-American critics are now wont to harp on the shortcomings of this decade rather than on the failures and distortions of the Big Stick era.

III

March 4, 1933, officially inaugurated not only the Roosevelt administration but also the Good Neighbor policy. If that otherwise gloomy day in the spring of 1933 was its birthday, its conception had occurred considerably earlier, probably during the Hoover administration, possibly even during the term of President Coolidge. Hoover was responsible for several steps which in partial and somewhat hesitant fashion helped to clear the air so far as Latin America-United States relations were concerned. Roosevelt, with his flair for the dramatic and his facility at giving happy phrase to current ideas, had the more spectacular and probably the more significant contribution to make.

The causes of our reorientation in 1933—if we arbitrarily assign that as the beginning date of the Good Neighbor policy—might be said to be both domestic and foreign. If we assume that the policy had any partisan origin, it can be thought of in part as a reaction against the materialism of the Harding-Coolidge period. As chapter and verse which might be cited in that connection, there is the famous article which Governor Roosevelt published in the summer of 1928.¹ It is possible that the then governor, who may even at that time have had his sights aimed at 1600 Pennsylvania Ave.,

¹ *Foreign Affairs*, July, 1928.

Washington, felt that, by advocating such a policy, he would be providing a wholesome and politically expedient antidote to the cautious and conservative attitude of the Republican administrations of the twenties. On the other hand, it would doubtless be too cynical to assume that such an article was written and such a policy conceived simply for purposes of party opportunism.

In the field of foreign affairs it is possible—although it will remain for some future political historian to prove—that an important factor in the crystallization of the Good Neighbor policy just at the time when it was named and proclaimed was the almost simultaneous triumph of Hitler in Germany. It was on Jan. 30, 1933, less than 5 weeks before Roosevelt's inauguration, that Hitler became Chancellor of the German Reich. His plans for the Germanic version of the New World Order were not yet known in detail, but his proposals were sufficiently grim, even if bombastic, to make any forward-looking statesman in the democracies pause for stocktaking as to the future. It is one of the interesting coincidences of recent history that these two key figures, with faces set in diametrically opposite directions, should have come into official positions of enormous influence at almost exactly the same moment.

The detailed manifestations of the Good Neighbor policy in the past 10 years do not need recounting. The general characteristic on the part of the United States was a willingness to meet the neighbor halfway, an attitude of allowing him a portion of not merely legal and diplomatic, but also practical and psychological equality, a belief that a reasonable attitude and a willingness to make concessions would imply strength rather than weakness. During the decade, to quote only a few instances of the application of the policy, the United States indicated in a concrete way its willingness to abandon its favorable position with regard to Cuban political affairs; it conceded much more lenient arrangements with the Dominican Republic; it granted all the major contentions of Panama and took other steps which indeed displayed an about-face in our foreign policy vis-à-vis Latin America.

The subtler accomplishments of the Good Neighbor policy to date are so tenuous and so much in the realm of the imponderable that it is very difficult to weigh or measure them accurately. We are probably safe in concluding that, by and large, the Latin-

¹ See RIPPY, J. FRED: *Latin America in World Politics*, pp. 282-287, New York, 1938, for a good summary of the early years of the decade.

American sentiment, both official and private, toward the United States has very considerably reversed itself. Naturally, we are on dangerous ground if we too casually generalize about this matter, and naturally again, the picture is spotty and one that may very quickly change. The accomplishments of the policy in the first decade of its application are, on the whole, however, not only imposing but apparently of permanent significance.

The developments of the past decade have given probably permanent currency to the phrase "the Good Neighbor." South of the border, he is *el buen vecino* and takes his place beside those other mythical figures and concepts, *el Coloso del Norte*, *el Tío Shylock*, *la Diplomacia del Dólar*, and others. It must be confessed that the newcomer to this family of figures of speech is a vastly more pleasant character than his predecessors. They were churls, boors, and a vicious lot withal. But the *Buen Vecino* is, as most people view him, a character who reflects sweetness and light and is, if not a hale fellow well met, at least a person who has the outlook of a Pollyanna. Perhaps ungratefully (!), some people think that the Good Neighbor should be Janus-faced or, to change the figure of speech, that the policy should be a two-way street, and that the benefits received at one end of the street imply some sort of reciprocal obligation. The degree to which this obligation should be or has been recognized is a moot point and in some quarters has been a delicate question. But it is probably beyond argument that everybody concerned, at both ends of the street, believes that the Good Neighbor policy has resulted in a definite improvement in relations, that it has considerably cleared the atmosphere of the altogether too chronic tension that previously characterized it, and that it is an enormous improvement over the foundation of relations that existed before. Hence, we may say that by 1943, a decade after the policy was given a name and an official home rather than being regarded somewhat as a foundling, it had been taken out of the realm of politics and was something to which both of the national political parties might subscribe on an almost permanent basis without fear on the part of either that it was eating humble pie by adopting as its own the creature of the opposition party. The Good Neighbor doctrine has by this time become one of the recognized cornerstones of American foreign policy. It is not yet so haloed as the Monroe Doctrine, but a decade of experience with it has given it roots which by now seem quite well grounded.

IV

If we attempt to evaluate the factors affecting postwar planning for the Americas, it may be convenient to classify them roughly into three: the political, the economic, and the psychological. These are, of course, interrelated, and to some extent it is artificial to separate them one from another. However, if we attempt to organize our thinking along such lines it will have certain advantages and will perhaps the better enable us to see some of the problems involved.

We are probably still too close to even the beginning of the Second World War to see the woods as a whole rather than the individual trees, but it is so apparent as to be almost a cliché that the war has already taught us lessons about postwar relationships. We are still to some extent groping as to whether the postwar world will be organized on a completely and exclusively world-wide basis or rather on a regional foundation. The likelihood is that some combination of the two patterns will prove to be the more feasible. The Latin-American area is torn between an idealistic attachment to a universal basis of organization and a realistic recognition that the regional may be much the more practical, at least for the time being. The Latin-American reaction to the League of Nations was originally one of wholehearted enthusiasm and cooperation.¹ Gradually, however, the imperfections and weaknesses of the League were borne home to Latin America and the retreat from Geneva became, on the part of that score of member states, almost a rout as the 1930's wore on.

The partial abandonment of the League by Latin America was doubtless due to some extent to greater assurance that the United States leopard had now changed his spots. In facing the postwar period, however, Latin-American foreign offices must necessarily give consideration to whether the new color of the spots is a fast color. In other words, can the reorientation of United States diplomacy, away from Big Stickism, be regarded as permanent? We in this country may be convinced that the advantages of the new policy have been demonstrated to the satisfaction of even the most materialistic state, party, or person, but are the Latin-American leaders equally persuaded of the permanence of the rela-

¹ Cf. KELCHNER, WARREN H.: *Latin American Relations with the League of Nations*, pp. 10-15, Boston, 1930.

tionship? It would be unwise too quickly and easily to answer in the affirmative.

Indeed, for purposes of domestic politics in one country or another it is entirely conceivable that demagogic advantage might be found in consciously promoting mistrust of the United States. The Latin-American political mind is entirely realistic and if opportunistic capital can be made out of such an "issue," many a politico will be quite willing to do it. It may be argued that reasonable and reasonably intelligent members of the electorate in any country will not be swayed by an appeal of the kind. We must recognize that, in any country, as the electorate is broadened it is almost necessarily diluted. We can cite chapter and verse (at the cost of blushing) by recalling that not so many years ago a Middle Western politician made very successful capital (at least for a time) by promising to "bust King George in the snoot" if he showed his face in Chicago. The fact is that a disturbingly large segment of any fairly broad electorate is susceptible to such arguments.

If, on the other hand, as we profess (and probably honestly) not to wish, the government of State X in Latin America should remain distinctly undemocratic, it obviates the danger of any demagogic and emotional appeal to the masses but at the same time it places the exploitation of Yankeephobia in the hands of a possibly unscrupulous political clique who may not hesitate to use it in the most sordid fashion.

It would make all the difference in the world if in hemisphere political relations there existed even a potential balance of power.¹ There is no Latin-American state or easily conceivable combination of states that could in any real sense exert a political or military force approaching that of the United States. We often overlook the conditioning influence in European politics of the presence of several great powers, no one of which can individually dominate the continent. Even in Asia, a possible Chinese counterpoise to the pretensions of Japan is more of an illustration than can be found in the political pattern of the Western Hemisphere. Hence, the hard-bitten political leaders in Latin America must perforce keep in mind (1) the predominance of the United States in hemisphere affairs, (2) the possibility (which we might not admit) of our reversion to an earlier antagonistic policy, and (3) the consequent

¹ Cf. SPYKMAN, NICHOLAS J.: *America's Strategy in World Politics*, pp. 62-64, New York, 1942.

necessity of considering some future political *rapprochement* with non-American powers as a counterweight to a conceivably too aggressive and ambitious United States.

That is the situation as it affects the way in which Latin America looks at the United States. Then, too, the several parts of Latin America have to look at each other. One of the major reasons why no common Latin-American front against the United States is likely to be formed in the political affairs of the New World is that it is not at all likely that the other 20 republics can come together with that degree of unanimity. Despite the fact that all major boundary quarrels—those classic causes of controversy—have been formally liquidated, all is not quiet on the southern front. For one thing, it is by no means certain that questions of limits (as the Latin Americans phrase it) will stay submerged. Bolivia is satisfied neither with her presumably definitive loss of a Pacific littoral nor with the Chaco settlement. Ecuador feels shortchanged in the Oriente. Costa Rica and Panama, and other pairs of disputants, could easily unsheathe the sword again.

Other sorts of political rivalries have come into the picture. In some Latin-American countries there is almost as much disposition to look askance at Argentina as there is to regard the United States with lifted eyebrows. Indeed, each of the ABC countries has at times been accused of imperialistic ambitions and behavior. The rivalry of Argentina and Brazil is traditional and has found contemporary reflection in the recent expression of jealousy over possible United States disposal of destroyers to Brazil.

We may thus fairly conclude that as Latin America faces the future the conditioning political factors are involved, to say the least.

The same thing is true of the economic elements in the picture. The leaven of economic nationalism is working almost overtime in many Latin-American countries. Tariffs, subsidies to native manufacturers, exchange controls designed in part to hamper importation of fabricated goods, restrictions on the too general hiring of non-nationals, and a variety of other manifestations are straws showing the direction of the wind. On the other hand, the powerful efforts of the United States toward engineering a controlled hemisphere economy cannot be ignored. The additional half billion dollars of capital given the Export-Import Bank can exercise an enormous leverage in shaping the New World economic pattern of the future. It is naïve to assume that the United States, even admitting the

most idealistic motives, is either designedly or inadvertently oblivious of the possibilities inherent in this relationship.

Another phase of the economic picture of the postwar period is the possibility, even the probability, of trade rivalry among the world powers for preeminence in Latin America. We may now safely assume the defeat of the Axis; hence, an immediate bid for importance in this field by either Germany or Japan—Italy may be ignored—seems out of the question. It appears that both Russia and China will be so absorbed with reconstruction and other internal problems that they, too, will be of little or no consequence in this connection, although the former may become so at a later date. But Great Britain and the United States will most certainly be willing and determined to move as far and as rapidly along these lines as can be done. It is not too much to surmise that this may be the rock on which the ship of Anglo-American wartime cordiality may split.

It is possible that the postwar economy of the world will be so systematically and equitably organized as to avoid this bitter Anglo-American competition but at this moment that seems to be a Utopian expectation. The world has thus far demonstrated considerable amateurishness and ineffectiveness in organizing itself politically. It is a larger order to do so economically.

The psychological factor among the postwar conditioning influences is an outgrowth of the political and the economic. The cultivation of the mass mind is today no less a concern of the democracy than of the dictatorship. The difference is relative at best. Nationalistic psychology is an amazingly complex thing and it is often difficult to control. It is fed negatively by real or imagined grievances which a people may have and is nourished positively by the triumphs and accomplishments that may be experienced.

The Latin-American states in varying degrees are experiencing these phenomena. Who can deny that Argentina's population is already highly aware of its South American "destiny," or that Brazil's millions are becoming similarly conscious? Within the microcosm of Central America there are heard allegations of a Guatemalan "superiority complex." The Dominicans feel the same way toward the larger Haitian population and, curiously enough, the Haitians have returned the feeling during the dictatorship of General Trujillo in the Dominican Republic. Nationalism in Latin America can have queer reflections. Costa Ricans occasionally charge their fellow Central Americans with being incapable

of growing beards, thus subtly calling attention to their own predominantly white blood in contrast to the large Indian admixture in the near-by republics.

V

It may seem futile and absurd to attempt any blueprint of post-war inter-American organization. One is on insubstantial ground in considering even the factors conditioning future relations. He is veritably out on a limb if he tries to go further and predict the form that the future inter-American anatomy will have. The effort is perhaps worth while, however, especially if undertaken with the safeguard of attaching the label "optimum" or "ideal" to whatever is designed.

If closer political relations among the states of the hemisphere are to develop, it seems logical that they will be on a confederate basis. A unitary or even a federal type of organization implies too great a surrender of sovereignty, national pride, and consciousness of national differences. If the premise of this reasoning points toward closer political cooperation of some sort, then the conclusion should be a reasonable one; and in view of the deep differences among the states of the hemisphere, particularly as between Anglo-America and Latin America but even within the latter area, a confederate organization seems all that we might fairly expect. It is true, of course, that some political scientists, Laski, for example, are inclined to view even federalism as a sort of way station on the path toward the organization of larger-scale centralized units. The canvas on which such a development for the hemisphere must be painted is too vast for consideration here, however.

Powerful influences must operate before even a confederacy can be produced. The pressures that prewar Axis threats and direct wartime dangers have afforded have furnished such influences, but the present line of reasoning frankly must presume the continuance of some unusual cohesiveness of the sort after the present conflict is over. That cohesion may result from the nonliquidation or slow liquidation of the many political and economic links that have been built in the past few years. It may come in part from the sheer habit of frequent meeting around the conference table for the discussion of far more vital matters than formerly got on the agendas of inter-American conferences.

Even granting the ultimate development of a confederate organization in the Americas, it stands to reason that it may very well

be on a *de facto* rather than a constitutional basis. Let us hasten to admit that there is at best a tenuous line of demarcation between the present elaborated degree of inter-American cooperation and what we have chosen to call *de facto* confederatism. If this reasoning appears to stop with the very meager half load of *de facto* confederation, it is because the whole loaf of more solid establishment looks to be unrealizable in the near future. Despite the many detailed imitations by Latin-American constitutions of their older United States prototype (most of the imitations coming in an earlier generation, it is true), the basic constitutional system of many Latin-American states and the legal structure and inheritance of all are radically different from what is found in the United States. This results in an alien feeling and an awkward relationship when a formal effort is made to marry the two schemes of political organization. Formal constitutional union has never worked well, on a confederate basis or one more solid, even within Latin America itself. The sorry experience of Central American efforts in that direction is a case in point.

However, if without an attempt at formal constitutional amalgamation, even on the thinnest of bases, the desired relations of functional cooperation can be established and maintained, the ends sought will be attained, after all. It will be a sort of common-law marriage, as it were; the substance will be won without the seeming. The lack of a legal ceremony in bringing the parties together would have the additional advantage of making a severance the easier—no official divorce would be necessary. This matrimonial analogy can be pushed too far, of course. The Latin-American states—individually or collectively the underdog if any “game” of hemisphere power politics should develop—would want (and properly) a juridically safeguarded relationship as each step was developed. This would be far different, though, from any grandiose plan of full-fledged and formal organization on a constitutional basis.

Those who are meticulously legalistic in viewing such matters will doubtless be discontented if some supranational executive, legislative, and judicial machinery is not offered in evidence of positive achievement. Such machinery will develop simply and logically if we are willing to accept it, too, on a *de facto* basis. Rather than “executive” agencies, if that adjective implies too much formality, we should be prepared to accept the imminence of administrative organs. A host of these is already in existence or on

the way.¹ They include the Inter-American Rubber Committee, the American International Institute for the Protection of Childhood, the Inter-American Juridical Commission, the Oficina Panamericana del Café, the Inter-American Commercial Arbitration Commission, the Committee on Inter-American Copyright Protection, the Committee of Experts on Customs Procedure, Port Formalities, and Consular Procedure, the Central Pan American Bureau of Eugenics and Homiculture, and many others. Their establishment has seemed a natural thing: it has frightened no last-ditch proponents of national sovereignty; it is in all likelihood an omen of similar things to come.

The Pan American Union will probably be brought forward by some as Exhibit A of international administrative machinery which is in existence or which could be built upon toward this end. The possibilities of expansion of the Pan American Union to serve as the core of an ambitious administrative mechanism for the Americas should not be overlooked but, if we assume to move along that line, it will almost necessarily presuppose a *de jure* elaboration of relationships whereas the present line of reasoning is founded on the opposite approach as the optimum one. We generally subscribe to the belief that the Pan American Union is constitutionally non-political in character, that it is solely an administrative body. That is not strictly true. In recent years many minor political functions have been assigned to the Pan American Union but, interestingly enough, it has been done in this same piecemeal, natural, and inconspicuous fashion. Still, by and large, the Pan American Union suffers from traditional limitations which hamper its flexibility and the possibility of expansion in these directions.

The more likely channel for the evolution of administrative machinery is the scarcely discernable pathway of item-by-item creation of this agency, followed by that, and then by a third, each in answer to a specific need. This is obviously undramatic but it furnishes the solider foundation.

If it be legislative machinery that is wanted, we have a nucleus in the present system of conferences. The average layman is astounded when he learns the large number of these congresses and conferences that have occurred in late years. The gatherings can be classified somewhat arbitrarily in two kinds: the regular "general"

¹ A systematic list, as of the date of publication, is included in *The International Conferences of American States, First Supplement, 1933-1940*, pp. 453-494, Washington, 1940.

meetings, usually taking place at 5-year intervals (the International Conferences of the American States, to give them their formal and slightly formidable title), and the *ad hoc* technical conferences concerned with almost everything that conceivably could form a common denominator for the Americas. The general conferences have received the fanfare—from the so-called “first” in 1889–1890 to the eighth in 1938—and it is precisely for that reason that a sometimes unrecognized limitation on their usefulness enters the picture.

The delegates to a general conference—especially those of the last decade, when the agendas have been prepared and discussed in less of a vacuum than was formerly the case—assemble in the nearest New World international equivalent to “the white heat of publicity.” At least, they often live their conference lives in glass houses. They must of necessity be jealous of the sovereign position of the states they represent. Public opinion at home will condemn them if they appear too willing to make concessions. Naturally the situation can vary greatly, but on the whole it is easy and at times almost necessary for the delegates to take refuge behind national dignity and those counterfeit façades that have appeared so often in European diplomacy, “vital interests and national honor.” The point can be footnoted by reference to the inability of the Sixth International Conference at Havana in 1928 to solve the ticklish problem of intervention. Even after the Good Neighbor policy was formally launched—and the honeymoon period of the new policy saw the intervention question satisfactorily resolved, incidentally—other instances arose. One was the intransigency of Foreign Minister Cantilo in his brief visit to the Lima conference in 1938.

In a technical conference, in contrast, the press often finds little of interest to report. The delegates may assemble, discuss, and act in more privacy and with less of the distortion of perspective and judgment which inevitably comes from deliberating under pressure and publicity. “The folks back home”—those frequent flies in the ointment—can be more safely disregarded. Consequently, the technical conferences, often unsung but by no means unhonored, frequently accomplish a great deal of genuine significance. A good illustration is to be seen in the contrast between the Havana conference and its early successor. The general conference, meeting at Havana in January and February of 1928, made no progress with regard to peace machinery because of the stumbling block presented

by the intervention question. Action on the major problem of peace machinery was hence postponed to a special conference meeting at Washington some 10 or 11 months later. That conference, despite the unexpected role on the center of the stage which was thrust upon it because of the sudden-breaking Chaco controversy, made real progress toward the goal marked out.

Along the legislative line, we may hope for and reasonably expect the regular convening of the general conferences with a continuation and intensifying of the past decade's tendency to discuss more vital matters. We may also expect a growth of the system of technical conferences and probably their assembling on a more regular and frequent basis. The "institutionalizing" of the special and technical conferences will result in a concomitant trend toward parallel administrative machinery.

When we turn to the judicial field we are faced with a slightly different problem. The informal type of evolution is illustrated by the very considerable growth of peace machinery in the 20 years since the signing of the Gondra Treaty.¹ Each of the halting steps taken in those two decades was in large measure due to the crystalized belief that the time was ripe for the particular step. The successive steps have often fallen short of justifying all the faith originally put in them, but they were taken naturally and not artificially. It is doubtless of some significance at this point to recall that Mexican proposals for a comprehensive peace code and United States suggestions that all the existing instruments be reorganized in one more inclusive treaty have both failed of adoption. The explanation may or may not be the ambitious and formal character of the proposals, but that factor probably has a bearing.

At the same time, it is difficult to see how the capstone of a system of adjudication—an inter-American court of justice—can be added without a considerable venture into the realm of the formal and constitutional. The New World gave the whole world the first instance of a true international court in modern times, the Central American Court of Justice. It is true that the history of that ill-starred body is not reassuring, but it seems quite possible that the American states may want to repeat the attempt, and on a more elaborate scale, before many years pass.

¹ Cf. SANDERS, WILLIAM: The Peace Machinery of the American Continent, *Bulletin of the Pan American Union*, vol. 73, pp. 151-159, March, 1939.

VI

In the new order (if we may use that prostituted phrase) the problem of interstate relations will inevitably be an important one. The potential awkwardness of the problem is markedly lessened, however, by one basic premise in the type of organization herein suggested—its confederate character. In a confederation, each member retains the ultimate authority for itself. Hence, there is avoided at the outset and later the delicate question of the surrender to a central agency of sovereignty, that elusive and perhaps unduly magnified bogey. The Latin-American states—and probably the United States no less in its way—regard sovereignty very jealously. It is natural that, if sovereignty be surrendered to a central authority, that agency will be the stronger thereby. That happened in the United States a century and a half ago when the Articles of Confederation were superseded by the Constitution. In the inter-American picture, however, the greater strength of the central or supranational machinery would be more than offset by the increased stresses and strains introduced.

Interstate relations (or, if we want the more familiar term, international relations) within the hemisphere will follow much the same line as heretofore. In cases where particular items of interstate business come to be handled by the new administrative machinery or are dealt with on a multilateral legislative basis, the area of customary bilateral responsibility and freedom of action will be correspondingly reduced. The problems involved in such matters as extradition, international copyright, port formalities, passports and visas, and a variety of other matters, can be solved as many have previously been solved, *i.e.*, by the gradual attainment of uniform legislation either by individual or multilateral action. Our own 48 states have faced, and partly solved, exactly the same problem. It is possible that the traditional structure of diplomatic representation may be modified; there would seem to be no good reason, for instance, why some or all of the Central American states might not have joint ministers or ambassadors in many capitals.

A further possibility of interstate political relationship suggests itself. It is that of the association of certain states on a subregional basis for narrower purposes. The present line of reasoning assumes that the connection of states on a hemispheric basis may occupy the center of the stage, certainly as against world-wide association

in the one direction and possibly ultimately against the anarchic individuality of the single state in the other direction. We must assign a corner of the stage for possible subregional organization, however. The association of the five Central American countries with one another gives us the classical example, of course, but in more recent years the Caribbean states, the states of the Platine area, and possibly the South American Pacific Coast states have discovered a certain mutuality of interests that has led to some and doubtless will lead to more concrete organizational developments and functional relationship.

VII

The implication of what has gone before in this chapter certainly points toward the conclusion that in the New World of tomorrow the emphasis should be on function rather than form, on operation rather than structure. Not the least of the by-products of such emphasis will be the preservation of respect for national traditions and autonomy. Another result will be that the expert and the technician will come into their own internationally. It is too much to expect that we shall have the early development of a hemisphere civil service, but the embryo or precursor of such a growth might even now be said to exist in the collective employees of some of the international agencies we have at the present time. The Pan American Union already gives us a minuscule illustration of the way in which experts from the various countries of the Americas have been drawn into the service of the whole. The League of Nations, before its deterioration, was advancing toward the point of being able to present the nations of the earth with a "world civil service" in its staff personnel.

It seems logical that, ultimately, the wide use of experts and technicians from the various Latin-American states will do as much as almost anything else to lessen or remove that psychological sense of inferiority that has too often characterized the relations of the Latin-American countries with the United States. If a yellow fever researcher is taken to an international center from Ecuador, if Brazil contributes a city-planning technician, if Chile sends a man who can help codify labor legislation, if the United States donates a highway engineer, there results a feeling of mutuality and balance that for solidity could scarcely be equaled by all the preachers and resolutions on the legal and judicial equality of states coming out of all the conferences.

VIII

The role of the individual in the postwar Pan-America also deserves thought. It is a basic characteristic of confederations that the central power has no direct authority over the individual; the latter is politically and legally responsible only to the unit that helps to make up the confederation. This is perhaps as it should be, at least in a transitional stage. It is inconceivable on a practical basis that wage levels for rubber *seringueiros* in remote Amazonia could equitably be set at Washington, that a Chicago merchant could be asked to conform to some traffic code worked out in Montevideo, or that an Uruguayan schoolteacher could follow a curriculum determined by an administrator in Rio. The very large share of control over and responsibility for the individual must for a long time in the future be left to the state of which the individual is a citizen or national.

At the same time, international administrative machinery will significantly influence the life of the individual by improving his standard of living. If an inter-American commission on malaria finds an adequate solution for the problem of that disease, each of millions of persons in many countries will have cause to be personally thankful. If an agricultural research institute finds a method of eliminating the Panama blight, thousands of individual banana plantation workers will thereby have their lives modified. If an inter-American bank makes a loan to permit development of a certain kind of light industry in Santiago, hundreds of Chilean *rotos* may be directly affected.

If, indeed, the individual is not influenced directly by the impact of supranational governmental control, his position may be affected in still other ways. If there should develop the degree of interstate relationships that is here envisaged, it is possible that a common form of passport, applicable to all the Americans of the hemisphere, might be devised. Steps would undoubtedly be taken to facilitate the flow of trade as well as the movement of persons. This would point in the direction of lowered tariff walls, with the logical end point being reached in the establishment of a hemisphere *zollverein*. In each case—the relaxing of restrictions on the movement of both people and goods—the individual would, by the many thousands, be directly and considerably concerned.

These last two steps (or progressions) would in the first instance be in the realm of the political because governmental action would

be required to bring them about. Their early effect, however, would be found much in the cultural and economic areas, respectively. The more people develop the habit of intracontinental travel—and that would certainly be facilitated by freer passport provisions, as well as by inter-American highways, better shipping and airplane services, and other improvements—the more they will be brought into contact with the culture patterns of other American regions. If the individual is inherently provincial, he probably will have a high degree of resistance to influence by the cultural structure of another section; but to the extent that he is educated or intelligent, or both, he will be broadened by such contacts. The economic effect of the other step (the lowering or razing of tariff walls) will be most pronounced in the greater cohesiveness it produces. We often fail to realize the great unifying influence exerted by the establishment of a customs union in the United States in 1789.

It is possible that important monetary and fiscal changes might accompany this general trend. One would be the establishment of a common trade-tourist dollar-peso. Another would be the pegging of national currencies to one another. A third would be a large extension of inter-American banking facilities, not only in the area of governmental finance but also in that of private commercial banking. All these changes, again, would strongly affect the individual.

Turning back to the arena of political and legal relationships, but to view a perhaps more remote possibility this time, it is conceivable that steps might be taken toward the establishment of a common citizenship for the nationals of the several American states. The constitutions of some of the Central American republics provide now for an easier process of naturalization for the nationals of the other Central American states than is offered to persons outside of that small and historically related group. It would not be an impossibly long step from that to a general, continent-wide provision of the same sort. Spain, in its republican constitution of 1931, made the interesting gesture of proposing very guardedly to her American offspring states a sort of international dual citizenship: if a particular Spanish American state would enact reciprocal measures, Spain was willing to allow her own emigrants to adopt the new nationality by naturalization and also to retain their Spanish nationality. It pointed to an interesting avenue, one which has not yet been explored further but which may later be opened to traffic.

IX

It is entirely pertinent to ask what the special position of the United States will be in all this development which, let us remember, represents the optimum or an idealistic trend rather than a certain one. It is in order, then, for a time, to look at the future Pan-America from the peculiar point of view of the United States rather than from that of the American community as a whole. In the first place, it is reasonably safe to conclude that there will be an increased feeling of dependence upon an entente with Latin America. This feeling may have largely a psychological base but that foundation can easily develop economic, strategic, and other aspects.

We have been told for months and years past that Latin America is the area with which we should cast in our lot; Europe and Asia cannot be trusted, but the Latin-American ideal is our ideal. The degree to which this has or has not a foundation in fact is beside the point. What does matter, rather, is the extent of acceptance of the idea by the United States public at large. That acceptance is probably considerable. We have for a long time been potentially receptive to the idea of a community of interest with Canada, but recently our thinking has been increasingly conditioned to accept Latin America as also eager to share the common pathway.

If this psychological *rapprochement* is extended by economic dependance (growing initially, perhaps, out of the reciprocal trade-agreements program), by cultural dependence (brought on by the probably inevitable limitation of travel to the Americas for some time to come), and by strategic dependence (coming from the development of hemisphere naval bases and a conscious decision to cultivate New World sources of strategic materials)—if such additions are made, the basis of United States dependence will be vastly broadened. It may easily be that individuals in this country will, in most cases, not consciously acknowledge or even recognize this reliance but that will not make it real.

Very quickly after the war is over an almost irresistible pressure will crystallize favoring the establishment of some sort of international organization. It is not the province of this essay to consider that problem except insofar as it involves the American area. One inevitable aspect of the whole problem, however, will be the question of world-wide organization as against regional organization. If a compromise plan, attempting to embody the advantages of each approach, is worked out, will the disposition of the United States

be to emphasize the total or the partial approach? The latter is possible.

The United States did not have an entirely happy experience with the League of Nations, despite the fact that nonmembership absolved us from any fundamental responsibility for its actions and failings. There was plenty in the sad and somewhat sordid history of the League to give foundation before the 1930's were over to the exultations of the I-told-you-so's. The Permanent Court of International Justice, a dignified and "nonpolitical" body (with a United States national regularly serving as a judge), seemed more to our liking—so we *almost* adhered to it. But after the Austro-German customs-union decision the I-told-you-so's could and did similarly point the finger of scorn at the World Court. The net result was that the 20-year armistice following the First World War did little to condition us favorably toward world-wide organization. Toward organization, yes—but not on a universal basis; in the minds of many the famous words of a hundred-odd years before still had validity, "In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparation for our defense."

Mr. Willkie told us that we have "one world" and Mr. Gallup reports that a universal organization would now be more acceptable to us than formerly. But those ideas would have to make headway against a subconscious provincialism that draws the line before reaching European or Asiatic precincts. They may make such headway (and perhaps they should) but it perhaps seems logical to assume that the United States will need less psychological reorientation in putting the emphasis on a regional organization.

X

If this country consciously casts in its lot with the American regionalists, even though participating in a more general organization, that immediately raises the question of United States responsibility for leadership. We shirked that responsibility in the 1920's; we could not evade the problem in the 1940's in a community limited to this hemisphere—it would be entirely incongruous for the United States not to accept a position of leadership in New World councils. What may well happen is that leadership will be exercised

in the unobtrusive fashion that has characterized United States participation in several of the recent conferences. This has frequently proved more effective—and much more palatable—than the more aggressive type of an earlier day. At Montevideo, Buenos Aires, Lima, and elsewhere the diplomacy of Hull has often been more than a match for that of Saavedra Lamas or Cantilo.

Leadership in New World affairs will have its debits. The nation—as is true of the person—that consciously seeks a position of leadership more easily incurs ill will than the one following a passive role. The line between leadership and ambition is sometimes difficult to draw, and weak and frightened partners are likely to assume it is but a short step from ambition to aggression. The nation that aspires to the role of guiding and shaping international policy must always recognize the necessity of justifying its own actions and policies. It must appear in the court of its colleagues with clean hands, and sometimes it may be difficult to convince the others concerned that its hands are 'clean.'

This degree of detachment and, if you will, nobility of purpose is quite likely to encounter embarrassing opposition on the home front. There will always be a great many persons who, for one reason or another (and not all of them indictable), will give domestic considerations priority over the international. These persons could appeal to public sentiment as easily in the United States as in Farrell's Argentina or Grau San Martín's Cuba. Thus a farsighted and international-minded United States president might easily find the ground cut out from under him domestically. To pursue such a foreign policy and at the same time successfully to placate sentiment within the country would call for more political talent than some United States presidents in recent decades have shown.

But leadership in New World affairs will also have its credits. The United States will not conceivably follow any policy which those in power assume runs contrary to its own interests. There may be a conflict between the long view and the short, but if the two can be reconciled it then stands to reason that, if the United States is taking a leading part in shaping the policy of the hemisphere, our own position will be improved. If, in the strategic theater, we can lease a site and develop a strong naval base in the Galápagos Islands, Ecuador and other west coast South American countries should feel more secure along with the United States. In the field of transportation, if we can help in bringing about the completion of the Pan American highway it will not only serve as an artery for

United States tourists and goods but will also prove of great usefulness locally.

If the United States maintains a position of hemispheric leadership, its hand in world affairs will be correspondingly strengthened. The nation that can go before a world political body as the recognized and trusted spokesman of the New World community will have an amount of bargaining power which would otherwise be difficult to obtain. Had Brazil in 1926 had the general backing of the states of Latin America in its bid for a permanent seat on the League Council, that bid would have had far greater effectiveness. Had Carlos Saavedra Lamas actually been the sort of New World political leader he aspired to be, his nonaggression pact of a decade ago would doubtless have got a more generally favorable European reception than it did. The degree, then, to which the states of the Americas can be knit into a bloc and the extent to which the United States can exercise leadership of the group will be one measure of this country's regional weight in world affairs.

XI

It was suggested earlier that the hands of a future United States government might be partly tied in regard to the conduct of relations vis-à-vis Latin America. The motives, psychology, and techniques of that influence should not be overlooked in any assessment of the Pan-America to come. When the electorate has grown about as broad as is possible in a population as large as 130 million, it is a big group with great inertia. The chief motive for resistance to the program of developing relationships that has been suggested will doubtless be the short and narrow view rather than the long and broad one. Wartime economic readjustments have shown what can happen to "small business." It is often crushed, whereas big business, by its very bigness, can survive. It is entirely understandable, then, why certain individuals, companies, or groups might honestly oppose a policy of the kind, though perhaps being willing to admit that it was theoretically desirable.

The psychology behind such opposition will probably be the psychology of isolationism. There will always be those who call loudly for "America First," meaning, in their usage of terms, the United States first—and last. They are in part the xenophobes who 90 years ago organized the Know-Nothing party (significantly labeled officially the American party) and who in a resurgence of political nativism 70 years later established the second Ku Klux

Klan. It is unfair and inaccurate to write off such phenomena as due solely to ignorance and bigotry, though obviously those elements play a large part. They are complicated movements and have an involved connection with national and international affairs. One thing that feeds isolationism is provincialism. The community that lives unto itself politically, economically, and culturally is likely to be wholly unaware of the richer life and higher standards that can be enjoyed by free association with neighboring communities.

The techniques that the opposition will use will be those traditional to nativist groups: ridicule and an emotional appeal to the almost instinctive desire to retain a superior position. It is not the intelligence of such techniques that we should examine but rather their effectiveness. Unfortunately, history is full of examples of highly successful appeals along those lines.

XII

Probably we shall never be free from the feuds (or "schools of thought," if one wants a euphemism) recently illustrated by Wendell Willkie and Robert McCormick, by Franklin Roosevelt and Burton Wheeler. Only 500 years of history, more or less, will give us enough perspective to decide which point of view had the weight of eternal right on its side. In the meantime, it seems possible that the force of circumstances will lead Pan-America in some such direction as suggested above. The horizons are distant and in many respects dim but almost inexorable logic appears to point us in certain directions as we move toward them. If some are not willing to go the whole distance with the 1940 Republican presidential candidate toward "one world," they may be willing to agree on the basis of "one hemisphere."

CHAPTER XX

CANADA: GOOD NEIGHBOR TO THE NORTH

H. GORDON SKILLING

In spite of the persistent interest of Americans in the Latin-American region, and the more recent awareness of America's global responsibilities, there is one country of the American region and of the world conspicuously absent in many American discussions of international relations. That country is Canada—America's nearest and best neighbor. Probably no two countries in the world have had more intimate relations and have taken them so much for granted. It is a welcome fact of the recent past that these relations have been subjected to closer scrutiny. In the United States learned periodicals and popular magazines have shown a new interest in things Canadian, and publishers find it worth their while to issue books on Canada. The Carnegie Foundation has been financing regular conferences for the discussion of Canadian-American relations and is publishing a many-volumed series of scholarly works on the same subject. American universities begin to introduce Canadian topics into their curricula. In every sphere evidence can be found of the new awakening of interest in the neighboring country. It is as though two next-door neighbors, after living together for years without serious conflict, had suddenly realized the intimacy and friendliness of their association and had begun to think and talk of it.

This development has been healthy and inevitable. It was impossible to expect that Canada would remain forever an outpost of Britain in the New World—a kind of Gibraltar of this hemisphere, without a cultural, political, or economic life of its own. It was inevitable that Canada should seek greater and greater freedom to formulate her own policies and develop her own life, and that, having gained that freedom, she should seek to give expression to her own needs and interests as a Canadian and North American land. It was natural that as the British connection diminished in importance, the relationship with the United States should take on greater significance and command greater attention. Nor was it unnatural

that, as Canada assumed more and more the role of a sovereign state, with interests of her own separate from those of Great Britain, the United States should be compelled to seek new information, revise old estimates, and deepen its knowledge with regard to the Dominion to the north. Substantial evidence of this mutual desire to learn more of the other was the establishment of Canada's first legation, in Washington, in 1927, and the sending of an American minister to Ottawa in the following year. The United States had objected to Canada's independent representation at the Paris Peace Conference; now she recognized the need for an exchange of diplomats with this new state to the north.

Since that time the understanding of Canada and Canadian affairs in the United States has broadened appreciably. Yet there is still much to be done in this respect. An American foreign policy that did not reckon with Canada's needs, interests, and desires, or treated the Dominion as a passive instrument to be employed by the United States for its own purposes, would have a dangerous element of weakness at a crucial point. Not only are Canadian-American relations significant in themselves to the two peoples sharing the continent, but their nature gives some indication to the rest of the world of America's intentions in foreign policy, especially as regards the small powers. She can hardly be trusted as a good neighbor in Europe or in Asia, if she is a bad neighbor in the Americas. Good neighborliness is indivisible. Nor is bad neighborliness merely a matter of open hostility and of threats or acts of aggression. It may take the form of an ignoring of the desires and interests of the small state, or of an unrestrained exercise of power without concessions in favor of the weaker power, or of an excessive economic penetration of the small country by private interests of the larger. In all these respects the attitude of the United States to countries such as Canada and the Latin-American republics, or to the more distant neighbors, Australia and New Zealand, will provide a touchstone of the sincerity of her intentions to establish a world neighborhood. As far as Canada herself is concerned, "Hope for the future," writes Prof. J. B. Brebner, "lies principally in whatever possibility there may be that the United States could acquire the habit of regarding Canada as a problem, that is, of framing her policies in North American, instead of purely national, terms."¹

¹ BREBNER, J. B.: Relations of Canada and the United States, I., Persistent Problems, *The Canadian Historical Review*, vol. 24, No. 2, June, 1943, p. 126.

What then is Canada's role in world affairs? A small power, Canada could not expect in the past to play a very influential part in world politics. Like small countries in other parts of the world, Canada has had to rely on one or more great powers for safety and economic welfare. In her case those states have been Great Britain and the United States, and the resulting triangle has long been the predominant characteristic of Canada's external relations.¹ During the nineteenth century, as a colony of Great Britain, Canada relied largely on the mother country, which protected her against American expansionism, assured her of a relatively free world economy, and provided the new country with immigrants, capital, and markets. By the twentieth century Canada was no longer dependent on a single great power. Her North American position and her proximity to the United States stimulated and aided Canada in her struggle to modify her dependence on Britain, to establish gradually the right of, and the machinery for, independent action in external relations, and to acquire dominion status within the Commonwealth. From the United States, Canada could increasingly secure military protection, trade, capital, and immigration. Nonetheless, Canada did not exchange her earlier dependence on London for a new dependence on Washington but pursued a policy of balance between the two, thus securing a degree of independence and influence rarely attainable by small powers. In this situation Canadian policy remained highly complex and was often characterized by compromise and vacillation—features that were intensified by sectional cleavages within Canada, especially between French and English. This dual relationship with the United States and Great Britain had advantages and disadvantages. It created the possibility of playing the two great powers off against each other and thus achieving a greater degree of security and independence. On the other hand, it rendered probable Canada's involvement in Anglo-American conflicts of interest and at times confronted Canada with the very grave difficulty of adjusting her policy to such conflicts between the two countries with whom she was most closely associated. The urgency of Anglo-American friendship became obvious; yet the danger of a sacrifice of Canadian interests by the two powers for the sake of that friendship was equally evident.

Then there were the special difficulties of Canada's relations with each of the two powers separately. Toward Britain there existed among some Canadians a coolness of attitude generated by

¹ *Ibid.*, pp. 118-119.

the long struggle for self-government, and among Canadians generally a sharp difference of opinion on the British connection. Toward the United States there existed feelings of apprehension and distrust aroused by earlier threats of annexation, and an equally sharp division among Canadians as to the future of Canadian-American relations. Before 1914, there were those in Canada who advocated imperial federation, and those who advocated annexation to the United States, but these were usually minority views. Over such economic issues as imperial preference and reciprocity with the United States the intensity of feeling over the broader questions of political organization was given sharp expression. Yet in this welter of opinion there was never a clearly defined and widely held viewpoint favoring complete independence for Canada, even among French Canadians.¹ Thus, with annexation, imperial federation, and independence all ruled out, there remained the hybrid of Dominion status, almost unconsciously achieved as a means of reconciling the conflict of views among Canadians.

Even since the attainment of the nominal independence of Dominion status, Canada's foreign policy has remained complicated and at times contradictory. Having vindicated her independent status through representation at the Peace Conference in 1919, having established her equality with Great Britain and the other members of the Commonwealth in internal and external affairs by 1926, and having created the first piece of machinery for the independent conduct of her external relations in the Washington legation in 1927, Canada failed to translate this formal independence into the substance of an independent Canadian policy.² She took no steps to secure formal recognition of her right of neutrality in the event of a European war, as did South Africa and Eire, but rested content with the right to decide for or against active belligerency in such a war. On the other hand she did not take advantage of her continuing association with the Commonwealth to seek to influence the policy of the United Kingdom or to aid in the formulation of a common policy for the entire Empire, although almost certain to be involved in any war arising out of that policy. As regards the United States, there were times when

¹ A study of Canada's policies and opinions up to 1914 is contained in G. P. de T. Glazebrook, *Canadian External Relations, An Historical Study to 1914*, Toronto, 1942.

² Cf. DAWSON, R. M.: *The Development of Dominion Status, 1900-1936*, pp. 128-132, London, 1937.

Canada gave expression to a genuine North American policy and hence voiced the needs and interests of the United States, as during the Paris Conference, the Imperial Conference of 1921 and the early assemblies of the League of Nations.¹ Yet she did not link herself closely with America in foreign policy, rejecting the extreme isolationist position of the Republic and remaining aloof from the inter-American system. Canada was, as before, neither fish nor fowl—neither British nor American in her foreign policy, and certainly not good red herring—Canadian in spirit and purpose. She was a puzzle to her friends and her enemies, and to herself as well, constantly indulging in self-examination and self-criticism. Canadians were never quite sure whether they were more British than American, or vice versa, or whether even Canadian, whether they would support Britain in the impending war, whether their formal independence would eventually express itself in an independent foreign policy, and whether their North American position would soon lead to regionalism and membership in the Pan-American system.²

How have recent prewar and wartime developments affected the Canadian policy of cautious balance? First, how have Canada's relations with Britain been affected? The last war, into which Canada had been catapulted by a British declaration of war, had, on the issue of conscription, produced great disunity within the Dominion, especially between French and English Canada, and had been largely responsible for the eventual consummation of Dominion status within the Commonwealth. Growing distrust of British foreign policy during the thirties led some Canadians to urge that the remaining vestiges of Canadian dependence, especially those relating to war and neutrality, be removed. These suggestions produced bitter reactions from those Canadians who wished Canada to stand by Britain's side in any eventuality. It became increasingly clear that the entry of Canada into the impending war would be accompanied by grave evidence of disunity within the Dominion and within the Commonwealth, unless the form and the appearance of independent action were created. In order to win the support of the French Canadians, of the more nationalist

¹ Cf. unpublished Ph.D. thesis (Univ. of Wisconsin, 1942), by William R. Willoughby, *The Impact of the United States upon Canadian Foreign Policy*.

² The best brief statement of this conflict of interest and opinion is given by F. R. Scott, *Canada and Hemispheric Solidarity* (Harris Foundation Lectures, 1941), Chicago, 1942.

English Canadians, and of the "New Canadians" of European origin, for participation in such a war, any Canadian government would have to make the entry of Canada into the war an action taken independently in accordance with Canadian interests alone. On the other hand to take steps before the outbreak of war to give Canada the formal right to remain neutral or even to decide her course freely would have aroused the anger and hostility of Canadians of the Empire school and would have made it more difficult for Britain to get Canadian support in the event of war. In the face of this conflict of opinion, Mackenzie King, Canadian Prime Minister, steered a middle course, refusing to commit Canada beforehand either to neutrality or active belligerency in the event of war. In his own mind, however, he was probably committed. Some 6 months after the outbreak of war he explained his prewar action in the following words:

I have also had to consider the possible coming of the day when Britain and France might be drawn into a great conflict for the preservation of their freedom and indeed, of their very existence. I have had, all the while, to ask myself how best our country could be kept united and its policies so shaped that, if the moment ever came for Canada to declare what part she was prepared to take in a world struggle to thwart aggression and to preserve freedom, she could speak with the single voice of a united people.¹

When the crisis came in 1939, the Canadian Prime Minister was able, as he had wished, to carry Canada into the war at Britain's side, and at the same time, through the separate declaration of war by Canada, to satisfy Canadian nationalists that the decision had been made independently for the sake of Canadian interests alone.² The bonds of Empire, then, although loosened, had by no means been severed between the two world wars. The British connection had brought Canada into a second war from which, as an American nation, she might, like the other American Republics, have at first abstained.³

The course of events since the declaration of war has illustrated anew the complicated nature of Canada's attitude toward Britain.⁴

¹ Election address broadcast on Feb. 7, 1940.

² Cf. FERGUSON, G. V.: Canada "The Interpreter," *University of Toronto Quarterly*, October, 1941.

³ Cf. SANDWELL, B. K.: *Canada and United States Neutrality*, pp. 29-30, Oxford Pamphlets on World Affairs, No. C. 2.

⁴ For a good discussion of Canada's wartime relations with Britain, see R. M. Dawson, *Canada in World Affairs, Two Years of War, 1939-1941*, Chap. X, Toronto, 1943.

Alone among American nations, Canada fought side by side with Great Britain for more than two years and was thus drawn into ever closer intimacy with her. During that period Canada was Britain's second partner and, with the other Dominions, aided Britain against Germany and Italy. In many ways Canada's independent statehood and her participation in the war as an autonomous state in alliance with Britain were clearly reflected. She declared war of her own accord; she built up her own army, navy, and air force, under her own command; she erected, after the fall of France, a complete and separate war economy; she avoided a formal system of collaboration with Britain and the other Dominions through an Imperial War Cabinet on the lines of the First World War. Nonetheless, as so often in the past, Canada confused the form and the substance of independence. It was inevitable that the disparity in size and strength between Britain and Canada should be reflected in differing degrees of responsibility and authority in the conduct of the war. Yet it was not inevitable that Canada should be relegated to a status of inferiority and impotence as regards the strategy and diplomacy of the war. This in fact was what happened. The United States, although still a neutral in 1940-1941, had more to say on such questions than did belligerent Canada. It was noticed in Canada that Canada was not represented at the Atlantic conference of Churchill and Roosevelt, although both the location of the conference and the peculiarly intimate relations of Mackenzie King with the two statesmen seemed to make his participation possible and desirable. Most surprising of all, Canada was not represented at the final negotiations in March, 1941, concerning the exchange of British bases for American destroyers, in spite of Canada's very great interest in the fate of Newfoundland.¹ These and other events illustrated that Canada, whatever her formal position might be, was in fact dependent on Great Britain in matters of high diplomacy during the early phase of the war. It was not surprising that signs of impatience began to appear, especially among those Canadians who might be labeled "nationalists." In their minds it rankled that Canada was still being treated as a colony and decisions being made for

¹ See *ibid.*, pp. 213-217, and the speech of Grant Dexter, given in *Proceedings, Conference on Canadian-American Affairs*, June 23-26, 1941, pp. 46ff, Toronto, 1941. The British-American agreement of Mar. 27, 1941, was supplemented by a protocol recognizing Canada's concern in the defense of Newfoundland and her right to participate in future consultations in this regard.

her by the mother country.¹ For others, the case for an imperial war cabinet seemed to be rendered stronger by this dissociation of Canada from decisions of major import.² Official Canada, however, seemed to be reconciled to this situation, and unlike Australia and New Zealand, was cool toward the idea of reviving the Imperial War Cabinet of 1917-1918.³

How has the other main factor in Canadian foreign policy—the pull of the United States and the American continent—fared in recent years? For some time before the outbreak of war there could be no mistaking what F. R. Scott called in 1937 "the growing North American characteristic of the political thinking of the Dominion."⁴ In the discussions and writings of Canadians on external relations at this time many a voice was raised in favor of making the North American continent the center of Canadian concern and of formulating a distinctive diplomatic and military policy for Canada in accordance with her needs as a North American country.⁵ This was but an expression of the new regionalism that pervaded the thinking of many persons in regard to foreign affairs. In unofficial discussions of British Commonwealth problems there was a growing tendency to recognize the peculiar regional interests of each part of the Commonwealth and to admit the difficulty, even the impossibility, of formulating a common imperial foreign policy. It was usually Canadians who most vigorously objected to the idea of such a common policy and pointed to the peculiar needs and interests arising from the geographical position

¹ See UNDERHILL, F. H.: Canada and the Last War, in Chester Martin, ed., *Canada in Peace and War*, p. 149, Toronto, 1941; SCOTT, F. R.: Canadian Nationalism and the War, *Canadian Forum*, March, 1942, and What Did "No" Mean? *Canadian Forum*, June, 1942.

² DAWSON, R. M.: Canadian and Imperial War Cabinets, in Chester Martin, *op. cit.*, pp. 207-211, and Dawson, *Canada in World Affairs*, pp. 204-205, 207-213.

³ On Sept. 22, 1943, Winston Churchill announced a meeting of the Dominion Prime Ministers in the near future, and April was later indicated as the probable date. Such a meeting, not the equivalent of the Imperial War Cabinet of the First World War, might well be considered a means of reconciling Australian and New Zealand desire for such a cabinet and the Canadian and South African lukewarmness or opposition to it. Canada evinced her readiness to participate in the meeting, while maintaining her opposition to the idea of an Imperial War Cabinet.

⁴ Canada's Future in the Commonwealth, *Foreign Affairs*, April, 1937.

⁵ UNDERHILL, F. H.: The North American Front, *Canadian Forum*, September, 1940, and A. R. M. Lower, Canada and the New World Order, *Canadian Forum*, May, 1939.

of their country.¹ Some Canadians even reconciled themselves to following the leadership of Washington, and occasionally a lone voice was heard to suggest a federal union between Canada and her neighbor. More and more frequently it was urged that Canada associate, not only with her neighbor immediately to the south, but with the more distant Latin-American states, grouped in the Pan American Union.² Such suggestions were vigorously repudiated by those Canadians in whose eyes they constituted something close to treason to Britain and to the Commonwealth and a reversion to isolationism.³ For others, however, including some who had hitherto looked to London or to Geneva for protection, growing disillusionment with these two sources of strength led them to turn to alternative lines of defense. G. V. Ferguson, managing editor of the powerful western Canadian newspaper, *Winnipeg Free Press*, wrote as follows:

The fact that Great Britain could no longer be relied on to provide Canada with a sheet anchor to windward naturally gave rise to new currents of political as well as economic thought. Their net tendency was to emphasize a North American as opposed to a British attitude towards the world. . . . In any future world in which Great Britain had abdicated from many of her former responsibilities and in which no system of collective security had been set up, a lonely Canada would be bound to seek entry into some new alignment. How closely she could develop her policies in conjunction with those of the United States, whether the identity of interest would approach political union, is impossible to guess. . . . But, union or no union, the two countries would inevitably draw closer and closer together. Identical aims, the vast cooperation of American capital in Canadian business, the need of a common policy of continental defence, all would combine

¹ Cf. *The British Empire*, Royal Institute of International Affairs, 1937, pp. 17, 230, and *The British Commonwealth and the Future*, 1938, p. 273.

² Cf. the speeches by P. E. Corbett and F. R. Scott, in *Proceedings, Conference on Canadian-American Affairs*, 1939, pp. 215-216, 221-222, and the article by P. E. Corbett, Canada and Pan Americanism, *Quarterly Journal of Inter-American Relations*, October, 1939. Entry into the Pan American Union was later advocated by John P. Humphreys, *The Inter-American System, A Canadian View*, Chaps. 1, 9, Toronto, 1942; F. R. Scott, *Canada and Hemispheric Solidarity*, pp. 158-173; R. A. MacKay, Pan Americanism Is Not Enough—Two Opinions, *Public Affairs*, Spring, 1942.

³ Cf. the speeches by Chester Martin and R. G. Trotter, in *Proceedings* cited above, pp. 202-206, and R. G. Trotter, More on Canada and Pan Americanism, *Inter-American Quarterly*, January, 1940. Opposition to membership in the Pan American Union was later expressed by R. G. Trotter, Pan Americanism Is Not Enough—Two Opinions, *Public Affairs*, Spring, 1942, and Canada and Pan-Americanism, *Queen's Quarterly*, Autumn, 1942, pp. 252-260.

to suggest a happy and intimate collaboration in progress towards the same goal.¹

The war had a profound effect on Canada's relations with the United States. Indeed the war paradoxically strengthened both of the dominant forces in Canadian life—the British and the American. The course of the war brought the two North American countries closer and closer together and the bitterness and recriminations of the last war were for the most part avoided. Prof. Dawson notes that relations with Great Britain constitute "a possible, but by no means a certain, exception" to the statement that the relations of Canada and the United States were more important than those of Canada with any other country.² When the collapse of France raised up the specter of an ensuing British defeat, the development of closer cooperation between the two countries for the defense of this continent was hastened. A system of joint defense was set up at Ogdensburg in 1940 as a second line of defense in case the first line, Britain, fell into German hands, a fact understood by many Americans and some few Canadians.³ Ogdensburg was not necessarily inconsistent with the continuance of aid to Britain, but it was primarily designed as a part of the many-sided program of hemispheric defense initiated by the United States. In Canada, Ogdensburg was generally welcomed. It had more appeal naturally to Canadians of the North American school of thought who looked upon it as the climax of a long-run tendency which they had favored and furthered, whereas Canadians of the Empire school had always looked fearfully toward a future continentalism in Canadian policy and somewhat regretted a step leading so far in that direction.⁴ Indeed there were not wanting some few prominent Canadians of the latter school who openly criticized Ogdensburg as diverting attention from the defense of

¹ FERGUSON, G. V.: *The Prairie Provinces and Canadian Foreign Policy*, *Foreign Affairs*, October, 1939 (written presumably just before the outbreak of war in Europe). Cf. Scott, *Foreign Affairs*, 1937.

² A good summary of Canadian relations with the United States is given in Dawson, *Canada in World Affairs*, Chap. XI.

³ See BREBNER, J. B.: Ogdensburg; A Turn in Canadian-American Relations, *Inter-American Quarterly*, October, 1940, and *United States in World Affairs*, 1940, p. 201.

⁴ Contrast the latter view as expressed by R. G. Trotter, in *North America and the War*, pp. 37-39, Oxford Pamphlets, No. C. 7, and in *Proceedings, Conference on Canadian-American Affairs*, 1941, pp. 65-66, and the former view as expressed by J. W. Dafoe, ed., in *Canada Fights*, Chap. VII, New York, 1941.

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Great Britain, a matter to which Canadians should devote all their energy and attention.¹ With later developments in American policy and the continued successful resistance by Britain and Canada, it became clear that Ogdensburg had not involved a preoccupation with the defense of North America at the cost of aid to Britain. Indeed the system of Canadian-American economic collaboration initiated by the Hyde Park agreement between Roosevelt and King clearly revealed the double purpose of that cooperation—the coordination of North American efforts for aid to Britain *as well as* the defense of this continent. That was certainly the dual purpose of the joint boards then set up to deal with war production and the use of raw materials. With the involvement of the United States itself in the European war in 1941, the apparent contradiction between Canada's close association with the United States and her participation in the European war was entirely removed. Both countries took the defense of Britain and Russia as vital to their own defense and aid to them became a prime purpose of their joint military and economic effort.

The gradual unfolding of Canadian cooperation with the United States has had however a dynamic of its own and has been a most striking demonstration of the new role and status of the Dominion in international affairs. Ogdensburg was the most significant diplomatic and military action ever taken by Canada on her own, independently of Britain and the rest of the Commonwealth. A striking feature of the machinery of Canadian-American cooperation has been the institutionalized and international form that it has taken. Although Canada has achieved cooperation with Britain and the other Dominions without the need for joint boards or committees, she has adopted these devices as the normal techniques of cooperation with the United States. There is nothing comparable, in Anglo-Canadian relations, to the Permanent Joint Board on Defence, the Joint Materials Co-ordination Committee, the Joint Economic Committees, and the Joint Defence (now War) Production Committee, on all of which Canadian and American representatives work out together a common policy for the two governments and thereby promote national interests that cannot be achieved by national action alone. Full national sovereignty has of course been preserved within the system of joint boards, but

¹ Cf. Hanson and Meighen, Conservative statesmen, as quoted by Grant Dexter, *Proceedings, Conference on Canadian-American Affairs*, 1941, pp. 48-49, 62-63.

an intimate integration of the two governmental systems has been effected for the formulation and execution of policy.¹

In addition to this close Canadian-American association there was new evidence that Canadians were thinking in hemispheric as well as in continental terms. Canada found that the defense of the southern half of the Western Hemisphere, which was not covered by the Ogdensburg agreement, was of concern to her and that this region might moreover provide markets to replace partly those lost in Europe.² French-Canadian opinion, for cultural and religious as well as commercial reasons, was especially favorable to the idea of *rapprochement* with the Latin countries south of the Rio Grande.³ There followed the Canadian trade mission to the Americas, headed by the Minister of Trade and Commerce, the conclusion of trade pacts with certain South American countries, the exchange of ministers with Argentina, Brazil, and Chile, and the official announcement that ministers would eventually be sent to other American countries.⁴ Even before the outbreak of the war the Prime Minister had indicated that his mind was not shut to the idea of eventual membership in the Pan American Union, although he expressed the view that the time had not yet arrived for such action to be taken.⁵ The war quickened the process of Canada's association with the other American countries and made it appear likely that sooner or later Canada would formally include herself in the system of inter-American conferences and organizations.⁶

¹ For a complete description of this system see W. P. Maddox, Canadian-American Defence Planning, *Foreign Policy Reports*, Nov. 15, 1941. It should not be ignored that Anglo-Canadian cooperation has been very close, although achieved by direct contact of cabinet ministers and civil servants, without the use of joint boards.

² See HUMPHREY, J. P.: The Twenty-second Chair; Is It for Canada?, *Inter-American Quarterly*, October, 1941; CORBETT, P. E.: Canada in the Western Hemisphere, *Foreign Affairs*, July, 1941; and MCLEAN, MARY, and BALDWIN, J. R.: Shake Hands Latin America, Toronto, 1940. Cf. *Foreign Policy Report*, Mar. 1, 1943, What Canadians Think about Post-war Reconstruction.

³ See *Rapport complet, Journées d'Amérique Latine*, 1943, published by the Canadian section of the *Union culturelle des Latins d'Amérique*, Montreal.

⁴ W. L. M. King, in press conference, on Nov. 4, 1942. Since then, an exchange of ministers with Peru and Mexico has been announced.

⁵ *Canada House of Commons Debates*, Mar. 30, 1939, pp. 2420-2421.

⁶ On Sept. 1, 1943, Brooke Claxton, M. P. and Parliamentary Under-Secretary to the Prime Minister, declared in a press conference outline of Canadian foreign policy that the Canadian people would like to see their country join the

The net effect of the war, then, has been to strengthen Canada's relations not only with Britain, with whom she has been allied since 1939, but also with the United States and the American nations, during the period of their neutrality as well as that of their belligerency. The close relations with the other American countries—which would normally have been taken as evidence of a desire to withdraw from the close association of the Commonwealth—were looked upon as supplemental and contributory to Canada's policy of all-out participation in the war against the Axis. This was especially true of Canada's relations with the United States, which, before Pearl Harbor, was a benevolent neutral aiding Britain by all means short of war. Canada's entrance into the war, although it put her for a short time out of step with the other nations of this hemisphere and created some difficulties and some resentment on their part, was eventually seen to have been merely an entry earlier in point of time to that of the United States and the other American belligerents. By early 1942 Canada had become a part of a vast scheme of global cooperation, and in particular of "triangular cooperation" between herself, Britain, and America, as Scott has put it. Having sought in the past to avoid the domination of her external policy either by the British or the American factor, Canada now found herself, as a result of the coincidence of American and British policies, a partner in a great English-speaking enterprise, in danger if anything of being treated as a very subordinate and junior member of that alliance. Close alliance with the United States had always been feared by some Canadians as involving Washington dominance of Canadian foreign policy. A continuing colonial status in relation to Britain had likewise been opposed as involving domination by London. With Washington and London moving very much in step and with their war efforts closely coordinated by direct means, through an exclusively Anglo-American system of joint boards, the danger took the form of a joint Anglo-American domination of Canadian policies. In this respect her position was similar to that of Australia and New Zealand, suddenly left in a critical situation by the weakening of British and American power in the southwest Pacific. Moreover Canada had become a member of a global alliance, the United Nations, including two great powers in addition to Canada's traditional friends, and including many other small powers, some of them feeling even more

Pan American Union. No major political group is opposed to this at the present time.

strongly than Canada the indignity of their position as second-rate members of a world coalition.

In this new situation the problem of Canada's external relations has become even more complicated than it was when it was primarily a matter of adjusting Canada's relations with two great powers. Now there is the much more difficult problem of adjusting her relations with all members of the global alliance. Her relations with the United States and Great Britain continue to be closer than those with any other country; common interests and common problems shared with others of the United Nations, however, have made evident the urgent necessity, in peace as well as in war, of close cooperation with other than the English-speaking countries. Yet, in spite of the global character of the war, there is still (February, 1944) no organizational embodiment of that fact. In all important respects, until the conferences in Moscow, Teheran, and Cairo, the decisions on the conduct of the war were Anglo-American in formulation. The smaller powers, as well as Soviet Russia and China, were excluded from the central, policy-forming meetings and kept on the fringes of the coalition, to be consulted when deemed necessary.¹ Canada, although sharing many of the disadvantages of this long-continuing situation, has however come to enjoy a specially privileged position as regards the strategy and diplomacy of the war because of her close and peculiar relationship with both Washington and London. In the case of London, Canada has direct access to the British cabinet through the two prime ministers, and her cabinet ministers and high officials have repeatedly visited London and consulted with British cabinet ministers and officials. As regards Washington, Canada has similar direct access to the places of authority and indeed works out many decisions jointly with the United States through the Canadian-American joint boards and the cooperation of the opposite officers in the two civil services. Moreover, in the system of Anglo-American cooperation itself, Canada has been elevated to a position more significant than that of any other small power or Dominion, and in some respects even of China and Soviet Russia. The Canadian Prime Minister, for instance, has attended several of the Churchill-Roosevelt discussions in Washington, and Canada was the scene of the Quebec conferences. Like other United Nations, Canada's military, air, and naval chiefs are in liaison with the Chiefs of Staff

¹ Cf. SKILLING, H. G.: Who Runs This War?, *Queen's Quarterly*, Autumn, 1942.

Committee in Washington through permanent representatives in that capital but, unlike any of the others, Canada has had since November, 1942, a representative on the Combined Production and Resources Board, collaborating there on a basis of equality with Oliver Lyttleton and Donald Nelson, and since October, 1943, a representative on the Combined Food Board. Similarly, Canada alone is represented with the United Kingdom and the United States on combined committees for steel, aluminum, and other commodities. The special position finally attained by Canada may in part explain why Canada's voice has seldom been heard in support of the governments of Australia, New Zealand, and China in their open criticism of the system of inter-allied cooperation. The anomalies of this system have more recently, however, led Mr. King to express the hope that a broader basis might be given to some of the combined agencies.¹

There are other indications of changes in Canada's status and her external relations. Canada is no longer the weak and dependent country of the prewar years, with her external interests confined to her relations with Britain and the United States. Ottawa has become a diplomatic capital of some importance, with some 15 other states represented there by Ministers, in addition to the High Commissioners of Great Britain and the other Dominions. Canada herself has advanced far in developing a separate diplomatic service since the appointment of the first Minister to Washington in 1927, and now has ministers accredited to the United States, to Argentina, Brazil, and Chile, in South America, to Soviet Russia and China, to seven exiled governments, Czechoslovakia, Greece, Norway, Poland, Yugoslavia, Belgium, and the Netherlands, and to the French National Committee. The rank of ambassador has recently been given to the Canadian Ministers in Washington, Moscow, Chungking, Rio de Janeiro, and Algiers.² It may safely be assumed that the number of legations abroad will increase during and after the war and that the representation of Canada in Paris and Tokyo, now suspended, will be resumed. No longer will

¹ July 9, 1943, speech in House of Commons, reported in the press.

² Since then, embassies have been opened in Paris, Brussels, Lima, and Mexico City. The origins and growth of Canada's diplomatic representation are discussed fully in H. G. Skilling, *The Development of Canada's Permanent External Representation*, *Canadian Historical Association, Annual Report*, Toronto, 1943; and in the same author's forthcoming book, *From Agency to Embassy*, to be published under the auspices of the Canadian Institute of International Affairs.

Canada be dependent on the British diplomatic service for information and action in foreign countries; she will have in most countries of the world her own system of representation. Canadian High Commissioners have since the war been sent to all the Dominions as well as to the United Kingdom. A beginning has been made in the formation of a separate Canadian consular service with the opening of a Consulate-General in New York City in 1943. In military affairs, Canada now ranks as a country of considerable power, with a navy of more than 80,000, an army of more than 465,000, and an air force of more than 200,000—three-quarters of a million in all the armed services, out of a total population of 11.5 millions. In economic relations, too, Canada has attained a new stature. Her great program of aid to Britain has turned the balance of trade still further in favor of Canada, and she has become a creditor, rather than a debtor, vis-à-vis Great Britain. As regards the United States, a very difficult foreign exchange problem arising out of the originally great excess of imports over exports has been surmounted by the Hyde Park agreement and other policies of the Canadian government; no money has been borrowed from the United States, no Lend-Lease account opened, and the balance of payments has been restored to equilibrium. Canada's industrial capacity has become significant, and she has embarked on the second year of "mutual aid," the Canadian equivalent to Lend-Lease, to the extent of 1 billion dollars annually to be given to the United Nations. As a food-exporting country of the first rank, Canada was honored at the recent United Nations Food Conference at Hot Springs, Va., by the selection of one of her representatives (L. B. Pearson) as chairman of the continuing United Nations Food Committee, and the chairmanship of the Committee on Supplies in the United Nations Relief and Rehabilitation Administration has been assigned to a Canadian. From this enumeration of recent developments it is clear that Canada will enter the postwar world with a greater capacity for independent action than ever before and with a much broader range of interests and obligations than in the period between the world wars.

A few comments are necessary on the balance of forces in the Canadian political arena in so far as they relate to external relations. The main political expression of "Britishism"—the Conservative party—has been in temporary eclipse, having suffered grievous defeats in the Dominion parliamentary elections of 1935 and 1940 and having been either eliminated or reduced to the status of the

opposition or even a third party in every single Canadian province. However some indication of a resurgence of Conservatism is given by the recent victory of the Conservatives in Ontario, where the Liberals were swept out of office and the Conservatives have formed a government with a slight margin of superiority over the opposition, the Cooperative Commonwealth Federation (C.C.F.), but lacking a majority over the Liberals and C.C.F. combined. The Conservatives, with a new name, "Progressive Conservatives," a new leader, John Bracken, former Liberal-Progressive leader in Manitoba, and a new program adopted at the recent Winnipeg conference, may be able to stage a return that could hardly have been anticipated a year ago. The pro-British inclination of the party has been preserved, and close association with the British Commonwealth through an Imperial War Cabinet and a peacetime imperial council are advocated. Cooperation in a world organization for preserving peace has also become part of the Conservative creed and isolationism is rejected. Third parties in Canada have traditionally been unsuccessful in the long run, but the recent successes of the C.C.F. in provincial elections and Dominion byc-elections forecast the possibility of a realignment of parties even on the federal plane. Although the C.C.F. are now represented at Ottawa by only 11 members, they form the main opposition party in Ontario, Saskatchewan, British Columbia, and Manitoba.¹ In the latter two provinces, the C.C.F. oppose coalitions of the Liberal and Progressive-Conservative parties. A socialist party of moderate tendencies, the C.C.F. has in the past exhibited tendencies toward both isolationism and collective security but has more recently identified itself with all-out prosecution of the war and close cooperation after the war with the United Nations. Although it has tended to be strongly "Canadian" in tone and critical of subservience to Britain, a pro-British attitude cannot be ruled out in view of the rise of labor in Britain, New Zealand, and Australia. In French Canada the long hold of the Liberal party on political opinion has begun to be sapped by the formation of a strongly nationalist French-Canadian party, Bloc Populaire, organized on national lines, strongly isolationist in foreign policy.

Although subject to attack from three sides, the now ruling Liberal party will likely remain the controlling factor in Canadian politics at least in the near future. Under the leadership of Mr. King and the late M. Lapointe, this party has paid much attention

¹ The C.C.F. has since become the government in power in Saskatchewan.

to the nationalist outlook of the French Canadians and some English Canadians, and has been inclined to draw somewhat away from Great Britain and closer to the United States. It has, however, never sought to dissociate Canada from the Commonwealth and, as noted above, it was responsible for bringing a united Canada into the war at Britain's side. Although in the past the Liberals, like the Conservatives, paid only lip service to the League and weakened it in practice as an instrument for preserving the peace, the war has had the effect, as Prof. Dawson has remarked, of converting them, as well as many Conservatives, "from a modified or complete isolationism to some form of control under international auspices."¹ This would not apply, however, to French Canada, a force to be reckoned with by whatever party is in power, where isolationism, if weakened, does not appear to have been dissipated by the experience of war.² As long as the Liberal party dominates the Canadian political scene, the present tendencies of Canadian external policy are likely to continue. As to the future much will depend on the measure of success that attends the desperate efforts of the Conservatives to recover their lost popularity and the degree to which the general public, disillusioned with the two old-line parties, turn to the rising third party, the C.C.F., or, in French Canada, to the Bloc Populaire. None of the major parties, however, is opposed to international cooperation after the war.

In the light of these past and present tendencies, what can be said with assurance of the future, assuming victory for the United Nations? It seems unlikely, whatever government is in power, that Canada will link herself solely with either Britain or the United States, or that she will make a clean break with either power. Certainly any reversal of the traditional drive toward self-government within the Commonwealth is most improbable, even were the Conservatives to be returned to power. More than 4 years of war have not produced any significant movement by Canada in the direction of a formally centralized Empire, even for the conduct of the war, although the Progressive-Conservatives have been spokesmen for an Imperial War Cabinet and a united Empire policy after the war. The nature of the declaration of war and of wartime administration has served rather to emphasize the formal independence and separateness of the Dominion and the United King-

¹ DAWSON, *Canada in World Affairs*, pp. 91-93.

² *Foreign Policy Report*, Mar. 1, 1943, What Canadians Think about Post-war Reconstruction.

dom. If anything, the separate declaration of war will serve as a precedent, with the implication that Canada may preserve her neutrality in some future British war. Prime Minister King has firmly stated his opposition to the idea broached by Curtin, Smuts, Halifax, and others that Canada and the other parts of the Commonwealth ought in all matters to pursue a single common policy.¹ Nonetheless Canada has been at war beside Britain for 4 years and has broadly accepted her leadership in the conduct of that war. No severing of the British connection is heralded, nor any complete dissociation from Britain in foreign policy. Whether the outlook of the younger generation in Canada is becoming less British and more North American is a subtle psychological question which can hardly be answered with our existing techniques of public opinion analysis. A recent Gallup poll indicating that only 49 per cent of Canadians are in favor of remaining in the British Empire is vigorously challenged by those who are confident that the tie with Britain is still very powerful. Certainly it cannot be ignored that there are some Canadians who feel a great pride in membership of the British Empire and react violently against the suggestion that the British connection, having outlived its usefulness, should be severed. Yet it can also not be ignored that the British connection has little emotional appeal to French Canadians, to New Canadians of recent European and Asiatic origin, and to many English-speaking Canadians born and bred in Canada. For Americans it is best to avoid the assumption that Canada is entirely a British land, controlled by Britain, and equally to avoid the assumption that Canada is on the point of breaking completely with the mother country. Somewhere between those two false assumptions lies the approximate truth.

It seems equally unlikely that Canada will retire into a North American or regional isolationism after this war. The growing intimacy of Canada with the American Republic will no doubt continue and deepen, even if the wartime joint administration is in part dispensed with after the fulfillment of its main objective. For purposes of defense Canada's immediate interests may still appear to be primarily North American in character after the war, especially if a postwar system of security is regionally organized. In that event the trend in Canada might be toward closer and closer association, short of union, with the United States and other American countries. Yet it would be false to assume that Canada, any

¹ House of Commons, Jan. 31, 1944, as reported by the Canadian press.

more than Australia and New Zealand, will enter completely and exclusively the American orbit and give up her ties with other countries and other regions. For one thing, the growing power of the United States and the close interlocking of Canadian and American policies have, it cannot be denied, reawakened among some Canadians an old fear—the fear of an expansive American imperialism, already exhibiting itself in the lust for air and naval bases, in the private exploitation of Canadian resources, in the merging of the Canadian and American economies for war purposes, and in the growth of American military and economic strength. Moreover two stubborn facts will remain: economically Canada will not be able to isolate herself in this hemisphere, and politically she will not have divorced herself from Great Britain. The possibility of absorption by the American colossus to the south will reinforce the tendency to seek other anchors to windward, either in closer association with Britain or through a world system of security.

In a postwar world of national states and of alliances, then, it would seem reasonable to suppose that Canada would continue to balance between Britain and the Americas, with the scales tipping first one way and then the other, according to the attitude of Britain and the United States and according to the parties in power in Canada. But the assumption that the postwar world will be broadly similar to the prewar world of national sovereignty is questioned by some. There are those in Canada and elsewhere who speak enthusiastically of an Anglo-American-Canadian federation as the agency that will maintain world peace and ensure welfare for the English-speaking peoples. There are Canadians who assign to Canada the role of bringing together the American and British peoples, severed since 1776, into a political union. Such a union would, it is true, run counter to the traditional tendency of Canadians to exalt their formal national independence above all else. But it would coincide with two ancient inclinations toward Britain and the United States and provide a new kind of balance between these sometimes conflicting urges. It would also be a natural projection of current trends in wartime collaboration between the English-speaking nations of the Atlantic, it is urged. But a federation of these nations will depend, less on traditional attitudes, or contemporary sympathies, or existing administrative institutions, and much more on the feasibility of fusing three hitherto independent economies into a single economic system, under a single political control. The difficulty of the incorporation

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of the Canadian economic system within a gigantic Anglo-American system would be very great indeed, since so much of Canada's economic life depends for its continuance on the political border and the tariff walls along that border. The emergence of Canada as a powerful industrial country, and as an exporting and creditor nation as a result of this war, complicates the situation still further. On the American side even the modest recommendation of the Joint War Production Committee that any barriers, such as tariffs, to an all-out joint war production effort, be removed was not acceptable to Congress. With the war over, would Canadians be ready to submit to the drastic reorganization of their economy that such a federation would involve and would the vested interests within the existing economy tolerate their own elimination in peacetime? Even in wartime serious obstacles present themselves to the planned integration of the economic effort of the two countries.¹ In peacetime such a disruption of vested interests and established enterprises would be still less likely to be countenanced, unless the war itself had so changed the economic relations of the two countries as to make the establishment of a single trading area a relatively painless procedure.

Whether an Anglo-American-Canadian federation or union is possible is one thing. Whether it is desirable is another. Similarly it is questionable whether even a loose grouping or alliance of these three states will meet the requirements of the postwar situation. Some Canadians and others fondly imagine that Canada has a significant role to play in the future as the "magnet" attracting the two great Atlantic powers together in close association. This can scarcely be reconciled with the perspectives of world organization opened up by the world-wide nature of the war itself. All belligerents have become increasingly aware of their world interests, their world needs, and their world responsibilities. Britain, for instance, has become acutely aware of her common interests with Russia as well as with America and China. Canada recognizes her responsibilities and interests in Europe, Eastern as well as Western, and in Asia, as she has never done before. There is a growing realization of the insufficiency of regionalism for the waging of war or the winning of the peace, for many powers are at war in several regions and all increasingly feel themselves members of a global coalition, the United Nations alliance.

¹ See *The United States and Canada: Economic Cooperation for Defense, Plan Age*, vol. 6, 1940, pp. 245f.

In the case of Canada, as we have already noted, her interests and obligations have become immeasurably broader than ever before, and her capacity for independent action in an interdependent world has increased greatly. The traditional approaches of Canadians to world politics—British Empire loyalty, North American isolationism, and Canadian nationalism, or any combination, seem out of date and inadequate. Canadians are being forced to think out their role afresh, in terms, not simply of their relations with Britain and the United States, but of their relations with all their allies in the war against the Axis, including Soviet Russia, China, the exiled European governments, and even the peoples of the enemy countries. It is insufficient to discuss the question of Canada's postwar role as though it were merely a matter of her relations either with the British Commonwealth or with the inter-American system, or with an emerging Anglo-American power bloc. The question now facing Canadians, as well as Americans, is a broader and more difficult one—how to integrate themselves in a postwar system universal in scope and membership? Mr. King has hinted at his acceptance of this view in a recent speech opposing the Halifax idea of a common Empire policy. "In meeting world issues of security, employment, and social standards, we must join not only with Commonwealth countries but with all likeminded states, if our purposes and ideals are to prevail."¹

Canada's problems are now seen to be world problems, and the solutions must be world solutions. In working out their new relationships with the world at large, Canadians, like most other peoples, will have to make many a clean break with the past. The traditional concepts of Canadian policy did not bring either peace or welfare to Canadians. Passive acquiescence in British policy has involved Canada in two disastrous wars in a quarter of a century. A North American isolationism on the other hand, as events have proved, does not guarantee even the greatest of nations peace in a world at war. "Little Canadianism," emphasizing Canadian loyalties at the cost of world obligations, does not fit the pattern of the modern world. There is a deceptive attraction in new magic formulas—an English-speaking or a North American federation or alliance. But would such a bloc not produce political and economic rivalries with other blocs similar to the rivalries hitherto dividing the nations of the world into warring groups? In a world economy the English-speaking countries or the American countries

¹ House of Commons, Jan. 31, 1944, as reported by the Canadian press.

alone cannot guarantee themselves welfare; in a world of conflict these nations alone cannot assure themselves peace. Peace and welfare are both indivisible and cannot be secured on any regional or linguistic basis. They can be assured only on a global basis. Canadians, like Americans, have to ask themselves whether they are ready to effect the necessary social and political changes within Canada and make the necessary sacrifices as a community that will be involved in any adequate scheme of international planning and cooperation.

Canadians have to face another question which does not confront Americans. In such a world system will Canada participate as a *free* and *independent* member, casting off an old colonial complex and exhibiting an independence of spirit and action correlative to her present independence of status within the British Commonwealth? There is ample reason for Americans, north and south of the Rio Grande, to be somewhat skeptical as to the degree of actual Canadian independence in view of Canadian acquiescence in British policy during the crises of the thirties and her entry, alone among the American countries, into the Second World War in 1939. Canadians are prone to retort, and most Americans will admit, that Canada is *in full control* of her foreign relations and that if there is any dependence on Britain, it is because Canada does not always choose to *exercise that control* and assert her independence in action. It is further argued that it is a positive Canadian interest to move in step with Britain and that Canada has freely chosen to make British foreign policy her own policy. The truth seems to be somewhat different, namely, that Canada has in the past been too ready passively to follow Britain and has failed to work out independently her own foreign policy, where necessarily different to the British. As long as this is the case, Americans will be entitled to smile at Canadian professions of complete and sovereign independence. But the war has brought Canada a new strength and has created the necessity for independent action on a number of occasions, the most notable of which was the Ogdensburg agreement. With such developments continuing, there cannot help but come a new spirit of independence among Canadians, bringing with it a cooler and saner evaluation of Canadian interests and a formulation of policies in the light, not of emotion and tradition, but of these interests. The British connection will no doubt continue to be a factor in their decisions, but it will cease to have the preponderant and often decisive influence that

it has had in the past. Such an independence of spirit is not in contradiction to the requirements of an interdependent world; it is indeed a condition of the fulfillment of those requirements by Canada. A Canada subject to decisive British influence or to American domination cannot adequately perform her duties in the world community. Only a spiritually independent Canada can associate herself usefully and effectively with the other free nations of an interdependent world.

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